

EXHIBIT 31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

for the transition period from _____ to _____

Commission file number 001-38655

Farfetch Limited

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

The Bower, 211 Old Street

London EC1V 9NR, United Kingdom

(Address of principal executive offices)

James L. Maynard

General Counsel & Senior Vice President Group Legal

Telephone: +44 (0) 20 7549 5400

Farfetch Limited

The Bower, 211 Old Street

London EC1V 9NR, United Kingdom

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered, pursuant to Section 12(b) of the Act

Title of each class	Name of each exchange on which registered
Class A ordinary shares, par value \$0.04 per share	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital stock or common stock as of the close of business covered by the annual report.

256,998,920 Class A ordinary shares and 42,858,080 Class B ordinary sharesIndicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Emerging growth company ☒If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

We prepare our consolidated financial statements in accordance with IFRS as issued by the IASB.

The following selected historical consolidated financial data as of and for the years ended December 31, 2016, 2017, and 2018 and for year ended December 31, 2015 has been derived from our audited consolidated financial statements and the notes thereto (our audited consolidated financial statements as of December 31, 2016 and for the fiscal year ended December 31, 2015 are not included in this Annual Report). Our historical results for any prior period are not necessarily indicative of results expected in any future period.

We have historically conducted our business through Farfetch.com and, therefore, our historical financial statements prior to the Reorganization Transactions reflect the result of operations of Farfetch.com and, following the Reorganization Transactions, reflect the results of operations of Farfetch Limited. Farfetch Limited's financial statements are the same as Farfetch.com's financial statements, as adjusted for the Reorganization Transactions. Following the Reorganization Transactions, we have retroactively reflected the Reorganization Transactions in Farfetch Limited's financial statements.

The financial data set forth below should be read in conjunction with, and are qualified by reference to Item 5. “Operating and Financial Review and Prospects” and the audited consolidated financial statements and notes thereto included elsewhere in this Annual Report. Our historical results for any prior period do not necessarily indicate our results to be expected for any future period.

	Year ended December 31,			
	2015	2016	2017	2018
(in thousands, except share and per share data)				
Consolidated Statement of Operations Data:				
Revenue	\$ 142,305	\$ 242,116	\$ 385,966	\$ 602,384
Cost of revenue	(69,702)	(125,238)	(181,200)	(303,934)
Gross profit	72,603	116,878	204,766	298,450
Selling, general and administrative expenses	(130,073)	(205,558)	(299,260)	(471,766)
Share of profits of associates	-	18	31	33
Operating loss	(57,470)	(88,662)	(94,463)	(173,283)
Net finance (costs)/ income	(4,265)	7,402	(17,642)	19,866
Loss before tax	(61,735)	(81,260)	(112,105)	(153,417)
Income tax credit/(expense)	628	(199)	(170)	(2,158)
Loss after tax	<u>\$ (61,107)</u>	<u>\$ (81,459)</u>	<u>\$ (112,275)</u>	<u>\$ (155,575)</u>
Loss per share attributable to owners of the parent:				
Basic and diluted	\$ (0.35)	\$ (0.43)	\$ (0.50)	\$ (0.59)
Weighted average shares outstanding:				
Basic and diluted	171,929,007	188,679,490	223,465,734	264,432,214
Consolidated Statement of Cash Flow Data:				
Net cash outflow from operating activities	\$ (37,258)	\$ (47,079)	\$ (59,320)	\$ (116,205)
Net cash outflow from investing activities	(27,571)	(16,961)	(28,863)	(63,538)
Net cash inflow from financing activities	\$ 77,414	\$ 161,173	\$ 300,142	\$ 859,526

	As of December 31,		
	2016	2017	2018
(in thousands)			
Consolidated Statement of Financial Position Data:			
Non-current assets	\$ 64,128	\$ 110,266	\$ 151,983
Current assets	180,904	452,792	1,199,410
Total assets	245,032	563,058	1,351,393
Current liabilities	89,425	155,890	194,158
Non-current liabilities	36,691	10,265	28,804
Total liabilities	126,116	166,155	222,962
Share capital and premium	348,832	686,972	784,294
Total equity	<u>\$ 118,916</u>	<u>\$ 396,903</u>	<u>\$ 1,128,431</u>

	Year ended December 31,			
	2015	2016	2017	2018
Selected Other Data(1):				
Consolidated Group:				
GMV	\$ 381,809	\$ 585,842	\$ 909,826	\$ 1,407,698
Revenue	142,305	242,116	385,966	602,384
Adjusted Revenue (1)	113,688	193,605	311,784	504,590
Adjusted EBITDA (1)	(47,375)	(53,380)	(58,079)	(95,960)
Adjusted EBITDA Margin (1)	(41.7%)	(27.6%)	(18.6%)	(19.0%)
Platform:				
Platform GMV	\$ 374,915	\$ 573,174	\$ 894,392	\$ 1,392,104
Platform Services Revenue (1)	106,794	180,937	296,350	488,995
Platform Gross Profit (1)	69,355	111,762	196,581	291,706
Platform Order Contribution Margin(1)	33.0%	35.0%	43.0%	39.8%
Third-Party Take Rate	30.0%	31.3%	32.9%	32.0%
Farfetch Marketplace:				
Active Consumers	415.7	651.7	935.8	1,353.4
Number of orders	800.5	1,259.7	1,881.0	2,913.0
Average Order Value (actual)	\$ 586.8	\$ 583.6	\$ 620.0	\$ 618.6

(1) See "Non-IFRS and Other Financial and Operating Metrics" below.

Non-IFRS and Other Financial and Operating Metrics

We have included in this Annual Report certain financial measures and metrics not based on IFRS, including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Revenue, Platform Services Revenue, Platform Gross Profit, Platform Order Contribution and Platform Order Contribution Margin, as well as operating metrics, including GMV, Platform GMV, Active Consumers, Number of Orders and Average Order Value.

Management uses Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Revenue, Platform Services Revenue, Platform Gross Profit, Platform Order Contribution, and Platform Order Contribution Margin:

- as measurements of operating performance because they assist us in comparing our operating performance on a consistent basis, as they remove the impact of items not directly resulting from our core operations;
- for planning purposes, including the preparation of our internal annual operating budget and financial projections;
- to evaluate the performance and effectiveness of our strategic initiatives; and
- to evaluate our capacity to fund capital expenditures and expand our business.

Adjusted EBITDA, Adjusted Revenue and Platform Services Revenue may not be comparable to similar measures disclosed by other companies, because not all companies and analysts calculate Adjusted EBITDA and Adjusted Revenue in the same manner. We present Adjusted EBITDA, Adjusted Revenue and Platform Services Revenue because we consider them to be important supplemental measures of our performance, and we believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies. Management believes that investors' understanding of our performance is enhanced by including these non-IFRS financial measures as a reasonable basis for comparing our ongoing results of operations. Many investors are interested in understanding the performance of our business by comparing our results from ongoing operations period over period and would ordinarily add back non-cash expenses such as depreciation, amortization and items that are not part of normal day-to-day operations of our business. By providing these non-IFRS financial measures, together with reconciliations to IFRS, we believe we are enhancing investors' understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives.

We believe that Platform Gross Profit, Adjusted Platform Gross Profit Margin, Platform Order Contribution and Platform Order Contribution Margin are useful measures in evaluating our operating performance because they take into account demand generation expense and are used by management to analyze the operating performance of our platform for the periods presented. We also believe that Platform Gross Profit, Adjusted Platform Gross Profit Margin, Platform Order Contribution and Platform Order Contribution Margin are useful measures in evaluating our operating performance within our industry because they permit the evaluation of our platform productivity, efficiency and performance.

Items excluded from these non-IFRS measures are significant components in understanding and assessing financial performance. Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Revenue and Platform Services Revenue have limitations as analytical tools and should not be considered in isolation, or as an alternative to, or a substitute for loss after tax, revenue or other financial statement data presented in our consolidated financial statements as indicators of financial performance. Some of the limitations are:

- such measures do not reflect revenue related to fulfilment, which is necessary to the operation of our business;
- such measures do not reflect our expenditures, or future requirements for capital expenditures or contractual commitments;
- such measures do not reflect changes in our working capital needs;
- such measures do not reflect our share based payments, income tax (credit)/expense or the amounts necessary to pay our taxes;
- although depreciation and amortization are eliminated in the calculation of Adjusted EBITDA, the assets being depreciated and amortized will often have to be replaced in the future and such measures do not reflect any costs for such replacements; and
- other companies may calculate such measures differently than we do, limiting their usefulness as comparative measures.

Due to these limitations, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Revenue and Platform Services Revenue should not be considered as measures of discretionary cash available to us to invest in the growth of our business and are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with IFRS. In addition, the non-IFRS financial measures we use may differ from the non-IFRS financial measures used by other companies and are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. Furthermore, not all companies or analysts may calculate similarly titled measures in the same manner. We compensate for these limitations by relying primarily on our IFRS results and using these non-IFRS measures only as supplemental measures.

We define our non-IFRS and other financial and operating metrics as follows:

“Active Consumers” means active consumers on the Farfetch Marketplace. A consumer is deemed to be active if they made a purchase on the Farfetch Marketplace within the last 12-month period, irrespective of cancellations or returns. The number of Active Consumers is an indicator of our ability to attract and retain an increasingly large consumer base to our platform and of our ability to convert platform visits into sale orders.

“Adjusted EBITDA” means loss after taxes before net finance costs/(income), income tax (credit)/expense and depreciation and amortization, further adjusted for share based compensation expense, other items (represents items outside the normal scope of our ordinary activities) and share of results of associates. Adjusted EBITDA provides a basis for comparison of our business operations between current, past and future periods by excluding items that we do not believe are indicative of our core operating performance. Adjusted EBITDA may not be comparable to other similarly titled metrics of others.

“Adjusted EBITDA Margin” means Adjusted EBITDA calculated as a percentage of Adjusted Revenue.

“Adjusted Revenue” means revenue less Platform Fulfilment Revenue.

“Average Order Value” (“AOV”) means the average value of all orders placed on the Farfetch Marketplace excluding value added taxes.

“Gross Merchandise Value” (“GMV”) means the total dollar value of orders processed. GMV across our platform is inclusive of product value, shipping and duty. It is net of returns, value added taxes and cancellations. GMV does not represent revenue earned by us, although GMV and revenue are correlated.

“In-Store Revenue” means revenue generated in our Browns retail stores.

“Marketplace Order Contribution” means Platform Order Contribution after deducting Platform Order Contribution not derived from the Farfetch Marketplace.

“Number of Orders” means the total number of consumer orders placed on the Farfetch Marketplace, gross of returns and net of cancellations, in a particular period. An order is counted on the day the consumer places the order. The Number of Orders represents an indicator of our ability to generate sales opportunities for luxury sellers through our Marketplace. Analyzed in the context of Active Consumers, the Number of Orders provides an indicator of our ability to attract recurring purchases on our platform and also the effectiveness of our targeted advertising.

“Platform Fulfilment Revenue” means revenue from shipping and customs clearing services that we provide to our consumers, net of consumer promotional incentives, such as free shipping and promotional codes.

“ Platform GMV” means GMV excluding In-Store Revenue.

“Platform Gross Profit” means gross profit excluding In-Store Gross Profit.

“Platform Order Contribution” means gross profit after deducting demand generation expense, which includes fees that we pay for our various marketing channels. Platform Order Contribution provides an indicator of our ability to extract consumer value from our demand generation expense, including the costs of retaining existing consumers and our ability to acquire new consumers.

“Platform Order Contribution Margin” means Platform Order Contribution calculated as a percentage of Platform Services Revenue.

“Platform Services Revenue” means Adjusted Revenue less In-Store Revenue. Platform Services Revenue is driven by our Platform GMV, including revenue from first-party sales, and commission from third-party sales. The revenue realized from first-party sales is equal to the GMV of such sales because we act as principal in these transactions, and thus related sales are not commission based. Platform Services Revenue was also referred to as Adjusted Platform Revenue in previous filings with the Securities and Exchange Commission (“SEC”).

The following table reconciles Adjusted EBITDA to the most directly comparable IFRS financial measure, which is loss after tax:

	Year ended December 31,			
	2015	2016	2017	2018
	(in thousands)			
Loss after tax	\$ (61,107)	\$ (81,459)	\$ (112,275)	\$ (155,575)
Net finance costs/(income)	4,265	(7,402)	17,642	(19,866)
Income tax (credit)/ expense	(628)	199	170	2,158
Depreciation and amortization	3,104	6,897	10,980	23,537
Share-based payments(a)	6,505	19,848	21,486	53,819
Other items(b)	486	8,555	3,949	-
Share of results of associates	-	(18)	(31)	(33)
Adjusted EBITDA	<u>\$ (47,375)</u>	<u>\$ (53,380)</u>	<u>\$ (58,079)</u>	<u>\$ (95,960)</u>

(a) Represents share-based payment expense.

(b) Represents other items, which are outside the normal scope of our ordinary activities or non-cash, including legal fees directly related to acquisitions of \$0.7 Million in 2017 and fair value remeasurement of contingent consideration of \$8.5 million in 2016 and \$3.3 million in 2017, all of which are included within the general and administrative component of selling, general and administrative expenses.

The following table reconciles Adjusted Revenue and Platform Services Revenue to the most directly comparable IFRS financial performance measure, which is revenue:

	Year ended December 31,			
	2015	2016	2017	2018
	(in thousands)			
Revenue	\$ 142,305	\$ 242,116	\$ 385,966	\$ 602,384
Less: Platform Fulfilment Revenue	(28,617)	(48,511)	(74,182)	(97,794)
Adjusted Revenue	<u>113,688</u>	<u>193,605</u>	<u>311,784</u>	<u>504,590</u>
Less: In-Store Revenue	(6,894)	(12,668)	(15,434)	(15,595)
Platform Services Revenue	<u>\$ 106,794</u>	<u>\$ 180,937</u>	<u>\$ 296,350</u>	<u>\$ 488,995</u>

The following table reconciles Platform Gross Profit and Platform Order Contribution to the most directly comparable IFRS financial performance measure, which is gross profit:

	Year ended December 31,			
	2015	2016	2017	2018
	(in thousands)			
Gross profit	\$ 72,603	\$ 116,878	\$ 204,766	\$ 298,450
Less: In-Store Gross Profit(a)	(3,248)	(5,116)	(8,185)	(6,744)
Platform Gross Profit	<u>69,355</u>	<u>111,762</u>	<u>196,581</u>	<u>291,706</u>
Less: Demand generation expense	(34,158)	(48,381)	(69,202)	(97,295)
Platform Order Contribution	<u>\$ 35,197</u>	<u>\$ 63,381</u>	<u>\$ 127,379</u>	<u>\$ 194,411</u>

(a) In-Store Gross Profit is In-Store Revenue less the direct cost of goods sold relating to In-Store Revenue.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

An investment in our Class A ordinary shares involves a high degree of risk. You should carefully consider the risks and uncertainty described below, together with all of the other information in this Annual Report, including our consolidated financial statements and related notes, before deciding to invest in our Class A ordinary shares. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price and value of our Class A ordinary shares could decline due to any of these risks, and you may lose all or part of your investment.

Risks Relating to our Business and Industry

Purchasers of luxury products may not choose to shop online, which would prevent us from growing our business.

Our success will depend, in part, on our ability to attract additional consumers who have historically purchased luxury products through traditional retailers rather than online. The online market for luxury products is significantly less developed than the online market for other goods and services such as books, music, travel and other consumer products. If this market does not gain widespread acceptance, our business may suffer. Furthermore, we may have to incur significantly higher and more sustained advertising and promotional expenditures or offer more incentives than we currently anticipate in order to attract additional online consumers to our Marketplace and convert them into purchasing consumers. Specific factors that could prevent consumers from purchasing luxury products from us include:

- concerns about buying luxury products online without a physical storefront, face to face interaction with sales personnel and the ability to physically handle and examine products;
- preference for a more personal experience when purchasing luxury products;
- product offerings that do not reflect current consumer tastes and preferences;
- pricing that does not meet consumer expectations;
- delayed shipments or shipments of incorrect or damaged products;
- inconvenience and costs associated with returning or exchanging items purchased online;
- concerns about the security of online transactions and the privacy of personal information; and
- usability, functionality and features of our Marketplace.

If the online market for luxury products does not continue to develop and grow, our business will not grow and our results of operations, financial condition and prospects could be materially adversely affected.

We may not be able to generate sufficient revenue to be profitable or to generate positive cash flow on a sustained basis, and our revenue growth rate may decline.

We cannot assure you that we will generate sufficient revenue to offset the cost of maintaining our platform and maintaining and growing our business. Although our revenue grew from \$386.0 million for the fiscal year ended December 31, 2017 to \$602.4 million for the fiscal year ended December 31, 2018, our revenue growth rate may decline in the future because of a variety of factors, including increased competition and the maturation of our business. We cannot assure you that our revenue will continue to grow or will not decline. You should not consider our historical revenue growth or operating expenses as indicative of our future performance. If our revenue growth rate declines or our operating expenses exceed our expectations, our financial performance will be adversely affected.

Additionally, we also expect our costs to increase in future periods, which could negatively affect our future operating results and ability to achieve and sustain profitability. We expect to continue to expend substantial financial and other resources on acquiring and retaining consumers, our technology infrastructure, research and development, including investments in our research and development team and the development of new features,

sales and marketing, international expansion, and general administration, including expenses, related to being a public company. These investments may not result in increased revenue or growth in our business. If we cannot successfully earn revenue at a rate that exceeds the costs associated with our business, we will not be able to achieve or sustain profitability or generate positive cash flow on a sustained basis and our revenue growth rate may decline. If we fail to continue to grow our revenue and overall business, our business, results of operations, financial condition and prospects could be materially adversely affected.

We have experienced losses in the past, and we may experience losses in the future.

We experienced losses after tax of \$81.5 million, \$112.3 million and \$155.6 million in the years ended December 31, 2016, 2017 and 2018, respectively. We may continue to experience losses after tax in the future, and we cannot assure you that we will achieve profitability and may continue to incur significant losses in future periods.

The luxury fashion industry can be volatile and difficult to predict.

As a global platform for luxury fashion, we are subject to variable industry conditions. Consumer demand can quickly change depending on many factors, including the behavior of both online and brick and mortar competitors, promotional activities of competitors, rapidly changing tastes and preferences, frequent introductions of new products and services, advances in technology and the internet and macroeconomic factors, many of which are beyond our control. For example, in the fourth quarter of 2018 luxury retailers demonstrated a higher than expected level of promotional activity, to which we responded by carefully adjusting our approach to promotions during that quarter. With this constantly changing environment, our future business strategies, practices and results may not meet expectations or respond quickly enough to consumer demand, and we may face operational difficulties in adjusting to any changes. Any of these developments could harm our business, results of operations, financial condition and prospects.

We rely on a limited number of retailers and brands for the supply of products that we make available to consumers on our Marketplace.

We rely on a limited number of retailers and brands for the supply of products available on our Marketplace. In the year ended December 31, 2018, 20% of our GMV was from our top ten retailers, excluding Browns. We cannot guarantee that these retailers and brands will always choose to use our Marketplace to sell their products. We also typically enter into one-year contracts with retailers and brands, and there is no guarantee our retailers and brands will renew these contracts upon expiration, which currently automatically renew every year unless either party serves 90 days' notice of termination. We cannot control whether a retailer or brand chooses to make any of its supply available on our Marketplace. Further, a small number of entities may, on their own, take actions that adversely affect our business, such as creating their own marketplace that could directly compete with us. Additionally, our business may be adversely affected if our access to products is limited or delayed because of deterioration in our relationships with one or more of our retailers or brands, or if they choose not to sell their products with us for any other reason. If we fail to successfully retain current, as well as acquire new, retailers and brands on our platform, our business, results of operations, financial condition and prospects could be materially adversely affected.

If our brands and retailers fail to anticipate, identify and respond quickly to new and changing fashion trends in consumer preferences, our business could be harmed.

The luxury apparel, footwear and accessories available on our Marketplace are subject to rapidly changing fashion trends and constantly evolving consumer tastes and demands. Our success is dependent on the ability of our retailers and brands to anticipate, identify and respond to the latest fashion trends and consumer demands and to translate such trends and demands into product offerings in a timely manner. The failure of our retailers and brands to anticipate, identify or react swiftly and appropriately to new and changing styles, trends or desired consumer preferences, to accurately anticipate and forecast demand for certain product offerings or to provide relevant and timely product offerings to list on our Marketplace may lead to lower demand for merchandise on our Marketplace, which could cause, among other things, declines in GMV sold through our Marketplace. If our retailers and brands are not able to accurately anticipate, identify, forecast, analyze or respond to changing fashion trends and consumer

preferences, we may lose consumers and market share, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Retailers and brands set their own prices for the products they make available on our Marketplace, which could affect our ability to respond to consumer preferences and trends.

We do not control the pricing strategies of our retailers and brands (other than Browns), which could affect our revenue and our ability to effectively compete on price with the other distribution channels used by our brands and retailers, including e-commerce retailers and brick and mortar stores. Retailers and brands may determine that they can more competitively price their products through other distribution channels and may choose such other channels instead of listing products on our Marketplace. Additionally, retailers and brands often employ different pricing strategies based on the geographical location of consumers, which is accomplished online through geo-blocking that blocks a consumer's ability to access certain websites based on geography. European Union legislation, which took effect in December 2018, prohibits geo-blocking in the European Union. As a result, our consumers registered in the European Union can make purchases at the prices listed in different European geographies irrespective of their country of residence in Europe which could adversely impact our business. In addition, proposed legislation in Europe would require marketplaces to disclose the main parameters they use to rank goods and services on their sites, and any advantage they may give to their own products over others. This could adversely affect our business, results of operations, financial condition and prospects.

Fluctuations in exchange rates may adversely affect our results of operations.

Our financial information is presented in U.S. dollars, which differs to the underlying functional currencies of our subsidiaries, which causes translation risk. We do not hedge translation risk, and therefore, our results of operations have in the past, and will in the future, fluctuate due to movements in exchange rates when the currencies are translated into U.S. dollars. At a subsidiary level, we are also exposed to transactional foreign exchange risk because we earn revenues and incur expenses in a number of different foreign currencies relative to the relevant subsidiary's functional currency. Movements in exchange rates therefore impact our subsidiaries and thus, our consolidated results and cash flows, which results in transactional foreign currency exposure. We generally hedge a portion of transactional exposure using forward foreign exchange contracts; however, because this is not fully hedged, we are exposed to fluctuations in exchange rates that could harm our business, results of operations, financial condition and prospects.

We rely on information technologies and systems to operate our business and maintain our competitiveness, and any failure to invest in and adapt to technological developments and industry trends could harm our business.

We depend on the use of sophisticated information technologies and systems, including technology and systems used for websites and apps, customer service, supplier connectivity, communications, fraud detection and administration. As our operations grow in size, scope and complexity, we will need to continuously improve and upgrade our systems and infrastructure to offer an increasing number of consumer-enhanced services, features and functionalities, while maintaining and improving the reliability and integrity of our systems and infrastructure.

Our future success also depends on our ability to adapt our services and infrastructure to meet rapidly evolving consumer trends and demands while continuing to improve our platform's performance, features and reliability. The emergence of alternative platforms, such as smartphones and tablets, and niche competitors who may be able to optimize such services or strategies, may require us to continue to invest in new and costly technology. We may not be successful, or we may be less successful than our competitors, in developing technologies that operate effectively across multiple devices and platforms and that are appealing to consumers, which would negatively impact our business and financial performance. New developments in other areas, such as cloud computing providers, could also make it easier for competitors to enter our markets due to lower up-front technology costs. In addition, we may not be able to maintain our existing systems or replace our current systems or introduce new technologies and systems as quickly or cost effectively as we would like. Failure to invest in and adapt to technological developments and industry trends may have a material adverse effect on our business, results of operations, financial condition and prospects.

Our efforts to acquire or retain consumers may not be successful, which could prevent us from maintaining or increasing our sales.

If we do not promote and sustain our brand and platform through marketing and other tools, we may fail to build and maintain the critical mass of consumers required to increase our sales. Promoting and positioning our brand and platform will depend largely on the success of our marketing efforts, our ability to attract consumers cost effectively and our ability to consistently provide a high-quality product and user experience. In order to acquire and retain consumers, we have incurred and will continue to incur substantial expenses related to advertising and other marketing efforts. We also use promotions to drive sales, which may not be effective and may adversely affect our gross margins. Our investments in marketing may not effectively reach potential consumers, potential consumers may decide not to buy through us or the spend of consumers that purchase from us may not yield the intended return on investment, any of which could negatively affect our financial results. The failure of our marketing activities could also adversely affect our ability to attract new, and maintain relationships with, our consumers, retailers and brands, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

We may not succeed in promoting and sustaining our brand, which could have an adverse effect on our future growth and business.

A critical component of our future growth is our ability to promote and sustain our brand, which we believe can be achieved by providing a high-quality user experience. An important element of our brand promotion strategy is establishing a relationship of trust with our consumers. In order to provide a high-quality user experience, we have invested and will continue to invest substantial amounts of resources in the development and functionality of our platform, website, technology infrastructure, fulfilment and customer service operations. Our ability to provide a high-quality user experience is also highly dependent on external factors over which we may have little or no control, including, without limitation, the reliability and performance of our retailers and brands, suppliers and third-party carriers. If our consumers are dissatisfied with the quality of the products sold on our platform or the customer service they receive and their overall customer experience, or if we or our service providers cannot deliver products to our consumers in a timely manner or at all, our consumers may stop purchasing products from us. We also rely on third parties for information, including product characteristics and availability shown on our Marketplace that may be inaccurate. Our failure to provide our consumers with high-quality products and high-quality user experiences for any reason could substantially harm our reputation and adversely impact our efforts to develop Farfetch as a trusted brand, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Any significant disruption in service on our websites or apps or in our computer systems, some of which are currently hosted by third-party providers, could damage our reputation and result in a loss of consumers, which would harm our business and results of operations.

Our brand, reputation and ability to attract and retain consumers to use our platform depend upon the reliable performance of our network infrastructure and content delivery processes. We have experienced interruptions in these systems in the past, including server failures that temporarily slowed down or interfered with the performance of our websites and apps, or particular features of our websites and apps, and we may experience interruptions in the future. For example, in December 2018 we had a partial outage on our payment system for 9 hours and 30 minutes, during which only approximately 20% of payments succeeded, and in July 2017, we experienced a full platform outage for one hour and forty-five minutes. Interruptions in these systems, whether due to system failures, human input errors, computer viruses or physical or electronic break-ins, and denial-of-service attacks on us, third-party vendors or communications infrastructure, could affect the availability of our services on our platform and prevent or inhibit the ability of consumers to access our websites and apps or complete purchases on our websites and apps. Volume of traffic and activity on our Marketplace spikes on certain days, such as during a “Black Friday” promotion, and any such interruption would be particularly problematic if it were to occur at such a high volume time. Problems with the reliability of our systems could prevent us from earning revenue or commission and could harm our reputation. Damage to our reputation, any resulting loss of consumer, retailer or brand confidence and the cost of remedying these problems could negatively affect our business, results of operations, financial condition and prospects.

experienced social engineering, phishing, malware and similar attacks and threats of denial -of -service attacks; however, such attacks could in the future have a material adverse effect on our operations. If any of these breaches of security should occur, our reputation and brand could be damaged, our business may suffer, we could be required to expend significant capital and other resources to alleviate problems caused by such breaches, and we could be exposed to a risk of loss, litigation or regulatory action and possible liability. We cannot guarantee that recovery protocols and backup systems will be sufficient to prevent data loss. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third -party experts and consultants. In addition, any party who is able to illicitly obtain a subscriber's password could access the subscriber's transaction data or personal information, resulting in the perception that our systems are insecure.

Any compromise or breach of our security measures, or those of our third-party service providers, could violate applicable privacy, data protection, data security, network and information systems security and other laws and cause significant legal and financial exposure, adverse publicity and a loss of confidence in our security measures, which could have a material adverse effect on our business, results of operations, financial condition and prospects. We continue to devote significant resources to protect against security breaches or we may need to in the future to address problems caused by breaches, including notifying affected subscribers and responding to any resulting litigation, which in turn, diverts resources from the growth and expansion of our business.

We rely on retailers and brands, suppliers, third-party carriers and transportation providers as part of our fulfilment process, and these third parties may fail to adequately serve our consumers.

We significantly rely on retailers and brands to properly and promptly prepare products ordered by our consumers for shipment. Any failure by these suppliers to timely prepare such products for shipment to our consumers will have an adverse effect on the fulfilment of consumer orders, which could negatively affect the consumer experience and harm our business and results of operations. We also rely upon third-party carriers and transportation providers for substantially all of our merchandise shipments, including shipments of items from our retailers and brands, to our production facilities for processing, shipments returning these items to our retailers and brands and the shipments to our consumers after purchase. Our shipments are also subject to risks that could increase our distribution costs, including rising fuel costs and events such as employee strikes and inclement weather, which may impact the third party's ability to provide delivery services that adequately meet our needs. If we needed to change shipping companies, we could face logistical difficulties that could adversely impact deliveries and we would incur costs and expend resources in connection with such change. Moreover, we may not be able to obtain terms as favorable as those received from the independent third-party transportation providers we currently use, which would increase our costs. Any increase in shipping costs or any other significant shipping difficulties or disruptions or any failure by our retailers, brands or third-party carriers to deliver high-quality products to our consumers in a timely manner or to otherwise adequately serve our consumers could damage our reputation and brand and may substantially harm our business, results of operations, financial condition and prospects.

We rely on third parties to drive traffic to our website, and these providers may change their search engine algorithms or pricing in ways that could negatively affect our business, results of operations, financial condition and prospects.

Our success depends on our ability to attract consumers cost effectively. With respect to our marketing channels, we rely heavily on relationships with providers of online services, search engines, social media, directories and other websites and e-commerce businesses to provide content, advertising banners and other links that direct consumers to our websites. We rely on these relationships to provide significant sources of traffic to our website. In particular, we rely on search engines, such as Google, Bing and Yahoo! and the major mobile app stores, as important marketing channels. Search engine companies change their natural search engine algorithms periodically, and our ranking in natural searches may be adversely affected by those changes, as has occurred from time to time. Search engine companies may also determine that we are not in compliance with their guidelines and consequently penalize us in their algorithms as a result. If search engines change or penalize us with their algorithms, terms of service, display and featuring of search results, or if competition increases for advertisements, we may be unable to cost-effectively drive consumers to our website and apps.

Our relationships with our marketing providers are not long term in nature and do not require any specific performance commitments. In addition, many of the parties with whom we have online advertising arrangements provide advertising services to other companies, including retailers with whom we compete. As competition for online advertising has increased, the cost for some of these services has also increased. A significant increase in the cost of the marketing providers upon which we rely could adversely impact our ability to attract consumers cost effectively and harm our business, results of operations, financial condition and prospects.

We face significant competition in the retail industry and may be unsuccessful in competing against current and future competitors.

The retail industry is intensely competitive. Online retail, including on mobile devices and tablets, is rapidly evolving and is subject to changing technology, shifting consumer preferences and tastes and frequent introductions of new products and services. We could face competition from technology enablement companies and luxury sellers. Technology enablement companies are those that enable commerce, such as Shopify or Square, and white-label service providers that offer end-to-end solutions. Luxury sellers are typically either larger more established companies, such as luxury department stores, luxury brand stores or online retailers, or multichannel players that are independent retailers operating brick and mortar stores with an online presence, and these luxury sellers may have longer operating histories, greater brand recognition, existing consumer and supplier relationships and significantly greater financial, marketing and other resources. Additionally, larger competitors seeking to establish an online presence in luxury fashion may be able to devote substantially more resources to website systems development and exert more leverage over the supply chain for luxury products than we can. Larger competitors may also be better capitalized to opportunistically acquire, invest in or partner with other domestic and international businesses. We believe that companies with a combination of technical expertise, brand recognition, financial resources and e-commerce experience also pose a significant threat of developing competing luxury fashion distribution technologies. In particular, if known incumbents in the e-commerce space choose to offer competing services, they may devote greater resources than we have available, have a more accelerated time frame for deployment and leverage their existing user base and proprietary technologies to provide services or a user experience that our consumers may view as superior.

Online retail companies and marketplaces, including emerging start-ups, may be able to innovate and provide products and services faster than we can, and they may be willing to price their products and services more aggressively in order to gain market share. In addition, traditional brick and mortar based retailers offer consumers the ability to handle and examine products in person and offer a more convenient means of returning and exchanging purchased products. If our competitors are more successful in offering compelling products or in attracting and retaining consumers than we are, our revenue and growth rates could decline.

If we are unable to compete successfully, or if competing successfully requires us to expend significant resources in response to our competitors' actions, our business, results of operations, financial condition and prospects could be materially adversely affected.

We are subject to governmental regulation and other legal obligations related to privacy, data protection and information security. If we are unable to comply with these, we may be subject to governmental enforcement actions, litigation, fines and penalties or adverse publicity.

We collect personal data and other data from our consumers and prospective consumers. We use this information to provide services and relevant products to our consumers, to support, expand and improve our business, and to tailor our marketing and advertising efforts. We may also share consumers' personal data with certain third parties as authorized by the consumer or as described in our privacy policy.

As a result, we are subject to governmental regulation and other legal obligations related to the protection of personal data, privacy and information security in certain countries where we do business and there has been and will continue to be a significant increase globally in such laws that restrict or control the use of personal data.

In Europe, where we have significant business operations, the data privacy and information security regime recently underwent a significant change and continues to evolve and is subject to increasingly regulatory scrutiny. The new General Data Protection Regulation ("GDPR"), which came into force on May 25, 2018, implemented

more stringent operational requirements for our use of personal data. These more stringent requirements include expanded disclosures to tell our consumers about how we may use their personal data, increased controls on profiling customers and increased rights for customers to access, control and delete their personal data. In addition, there are mandatory data breach notification requirements and significantly increased penalties of the greater of €20 million or 4% of global turnover for the preceding financial year. The UK's Network and Information Systems Regulations 2018, which came into force on May 10, 2018, apply to us as an online marketplace and place additional network and information systems security obligations on us, as well as mandatory security incident notification in certain circumstances with penalties of up to £17 million.

In recent years, U.S. and European lawmakers and regulators have expressed concern over the use of third-party cookies and similar technologies for online behavioral advertising, and laws in this area are also under reform. In the European Union, current national laws that implement the ePrivacy Directive will be replaced by an EU regulation known as the ePrivacy Regulation. In the European Union, informed consent is required for the placement of a cookie on a user's device and for direct electronic marketing, and the GDPR also imposes additional conditions in order to satisfy such consent, such as a prohibition on pre-checked consents. The draft ePrivacy Regulation retains these additional consent conditions and also imposes the strict opt-in marketing rules on direct marketing that is "presented" on a web page rather than sent by email, alters rules on third-party cookies and similar technology and significantly increases penalties for breach of the rules. Regulation of cookies and similar technologies may lead to broader restrictions on our marketing and personalization activities and may negatively impact our efforts to understand users' internet usage, as well as the effectiveness of our marketing and our business generally. Such regulations may have a negative effect on businesses, including ours, that collect and use online usage information for consumer acquisition and marketing, it may increase the cost of operating a business that collects or uses such information and undertakes online marketing, it may also increase regulatory scrutiny and increase potential civil liability under data protection or consumer protection laws. In response to marketplace concerns about the usage of third-party cookies and web beacons to track user behaviors, providers of major browsers have included features that allow users to limit the collection of certain data generally or from specified websites, and the ePrivacy Regulations draft also advocates the development of browsers that block cookies by default. These developments could impair our ability to collect user information, including personal data and usage information, that helps us provide more targeted advertising to our current and prospective consumers, which could adversely affect our business, given our use of cookies and similar technologies to target our marketing and personalize the consumer experience.

As the text of the ePrivacy Regulation is still under development, and as further guidance is issued and interpretation of both the ePrivacy Regulation and GDPR develop, we could incur substantial costs to comply with these regulations. The changes could require significant systems changes, limit the effectiveness of our marketing activities, adversely affect our margins, increase costs and subject us to additional liabilities.

In the United States, federal and various state governments have adopted or are considering, laws, guidelines or rules for the collection, distribution, use and storage of information collected from or about consumers or their devices. For example, in June 2018, California enacted the California Consumer Privacy Act ("CCPA") which is presently going into effect on January 1, 2020. When effective, the new law will, among other things, require new disclosures to California consumers, impose new rules for collecting or using information about minors, and afford consumers new abilities to opt out of certain disclosures of personal information. California legislators have stated that they intend to propose amendments to the CCPA before it goes into effect, and it remains unclear what, if any, modifications will be made to this legislation or how it will be interpreted. The U.S. Congress may also pass a law to pre-empt all or part of the CCPA. As passed, the effects of the CCPA potentially are significant, however, and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses in an effort to comply.

In China, the Personal Information Security Specification ("China Specification") came into force on May 1, 2018. Although the China Specification is not a mandatory regulation, it nonetheless has a key implementing role in relation to China's Cyber Security Law in respect of protecting personal information in China. Furthermore, it is likely that the China Specification will be relied on by Chinese government agencies as a standard to determine whether businesses have abided by China's data protection rules. This China Specification has introduced many concepts and protection rules for personal information, such as "Data Controller" from GDPR. From the consent perspective the China Specification and GDPR are similar, but the China Specification has broadened the scope of

Competition for well-qualified employees in all aspects of our business, including software engineers and other technology professionals, is intense globally. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate existing employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees and key senior management, our business, results of operations, financial condition and prospects may be adversely affected.

We may not be able to manage our growth effectively, and such rapid growth may adversely affect our corporate culture.

We have rapidly and significantly expanded our operations and anticipate expanding further as we pursue our growth strategies. Such expansion increases the complexity of our business and places a significant strain on our management, operations, technical systems, financial resources and internal control over financial reporting functions. Our current and planned personnel, systems, procedures and controls may not be adequate to support and effectively manage our future operations, especially as we employ people in 13 geographic locations. We are currently in the process of transitioning certain of our business and financial systems to systems on a scale reflecting the increased size, scope and complexity of our operations, and the process of migrating our legacy systems could disrupt our ability to timely and accurately process information, which could adversely affect our results of operations and cause harm to our reputation. As a result, we may not be able to manage our expansion effectively.

Our entrepreneurial and collaborative culture is important to us, and we believe it has been a major competitive advantage and contributor to our success. We may have difficulties maintaining our culture or adapting it sufficiently to meet the needs of our future and evolving operations as we continue to grow, in particular as we grow internationally. In addition, our ability to maintain our culture as a public company, with the attendant changes in policies, practices, corporate governance and management requirements may be challenging. Failure to maintain our culture could have a material adverse effect on our business, results of operations, financial condition and prospects.

General economic factors, natural disasters or other unexpected events may adversely affect our business, financial performance and results of operations.

Our business, financial performance and results of operations depend significantly on worldwide macroeconomic economic conditions and their impact on consumer spending. Luxury products are discretionary purchases for consumers. Recessionary economic cycles, higher interest rates, volatile fuel and energy costs, inflation, levels of unemployment, conditions in the residential real estate and mortgage markets, access to credit, consumer debt levels, unsettled financial markets and other economic factors that may affect consumer spending or buying habits could materially and adversely affect demand for our products. In addition, volatility in the financial markets has had and may continue to have a negative impact on consumer spending patterns. A reduction in consumer spending or disposable income may affect us more significantly than companies in other industries and companies with a more diversified product offering. In addition, negative national or global economic conditions may materially and adversely affect our suppliers' financial performance, liquidity and access to capital. This may affect their ability to maintain their inventories, production levels and/or product quality and could cause them to raise prices, lower production levels or cease their operations.

Economic factors such as increased commodity prices, shipping costs, inflation, higher costs of labor, insurance and healthcare, and changes in or interpretations of other laws, regulations and taxes may also increase our cost of sales and our selling, general and administrative expenses, and otherwise adversely affect our financial condition and results of operations. Any significant increases in costs may affect our business disproportionately compared to our competitors. Changes in trade policies or increases in tariffs, including those recently enacted by the United States and proposed by China, may have a material adverse effect on global economic conditions and the stability of global financial markets and may reduce international trade.

Natural disasters and other adverse weather and climate conditions, public health crises, political crises, such as terrorist attacks, war and other political instability or other unexpected events, could disrupt our operations, internet or mobile networks or the operations of one or more of our third-party service providers. For example, the vast majority of our production processes take place at our facility in Guimarães, Portugal. If any such disaster were

to impact this facility, our operations would be disrupted. Such events may also impact consumer discretionary spending. If any of these events occurs, our business could be adversely affected.

We have acquired, and may continue to acquire, other companies or technologies, which could divert management's attention and otherwise disrupt our operations and harm our operating results. We may fail to acquire companies whose market power or technology could be important to the future success of our business.

We have acquired and may in the future seek to acquire or invest in other companies or technologies that we believe could complement or expand our brand and products, enhance our technical capabilities, or otherwise offer growth opportunities. Pursuit of future potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated. In addition, we may be unsuccessful in integrating our acquired businesses or any additional business we may acquire in the future, and we may fail to acquire companies whose market power or technology could be important to the future success of our business. For example, we acquired Browns in 2015, Fashion Concierge and Style.com in 2017 and Stadium Goods in 2019. We also signed agreements in 2018 and 2019 to acquire, respectively, CuriosityChina and certain assets relating to JD.com's luxury fashion offering, Toplife, from JD.com.

We also may not achieve the anticipated benefits from any acquired business due to a number of factors, including:

- unanticipated costs or liabilities associated with the acquisition, including costs or liabilities arising from the acquired companies' failure to comply with intellectual property laws and licensing obligations to which they are subject;
- incurrence of acquisition-related costs;
- diversion of management's attention from other business concerns;
- regulatory uncertainties;
- harm to our existing business relationships with retailers and boutiques as a result of the acquisition;
- harm to our brand and reputation;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process. Acquisitions also could result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, this may have a material adverse effect on our business, results of operations, financial condition and prospects.

We are involved in and may pursue strategic relationships. We may have limited control over such relationships, and these relationships may not provide the anticipated benefits.

We are involved in various strategic relationships, including with JD.com and the Chalhoub Group, which we expect will benefit our business and help us to achieve growth in China and the Middle East, respectively. For example, in February 2019, we entered into agreements to strengthen our strategic relationship with JD.com, which was driven by our aim to expand our presence in China as described in further detail in Item 7. "Major Shareholders and Related Party Transactions — B. Related Party Transactions." We also may pursue and enter into strategic relationships in the future. Such relationships involve risks, including but not limited to: maintaining good working relationships with the other party; any economic or business interests of the other party that are inconsistent with ours; the other party's failure to fund its share of capital for operations or to fulfill its other commitments, including providing accurate and timely accounting and financial information to us, which could negatively impact our operating results; loss of key personnel; actions taken by our strategic partners that may not be compliant with

applicable rules, regulations and laws; reputational concerns regarding our partners or our leadership; bankruptcy, requiring us to assume all risks and capital requirements related to the relationship, and the related bankruptcy proceedings could have an adverse impact on the relationship; and any actions arising out of the relationship that may result in reputational harm or legal exposure to us. Further, these relationships may not deliver the benefits that were originally anticipated. Any of these factors may have a material adverse effect on our business, results of operations, financial condition and prospects.

A failure to comply with current laws, rules and regulations or changes to such laws, rules and regulations and other legal uncertainties may adversely affect our business, financial performance, results of operations or business growth.

Our business and financial performance could be adversely affected by unfavorable changes in or interpretations of existing laws, rules and regulations or the promulgation of new laws, rules and regulations applicable to us and our businesses, including those relating to the internet and e-commerce, including geo-blocking and other geographically based restrictions, internet advertising and price display, consumer protection, anti-corruption, antitrust and competition, economic and trade sanctions, tax, banking, data security, network and information systems security, data protection and privacy. As a result, regulatory authorities could prevent or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us if our practices were found not to comply with applicable regulatory or licensing requirements or any binding interpretation of such requirements. Unfavorable changes or interpretations could decrease demand for our services, limit marketing methods and capabilities, affect our margins, increase costs or subject us to additional liabilities.

For example, there are, and will likely continue to be, an increasing number of laws and regulations pertaining to the internet and e-commerce that may relate to liability for information retrieved from or transmitted over the internet, display of certain taxes and fees, online editorial and consumer-generated content, user privacy, data security, network and information systems security, behavioral targeting and online advertising, taxation, liability for third-party activities and the quality of services. Furthermore, the growth and development of e-commerce may prompt calls for more stringent consumer protection laws and more aggressive enforcement efforts, which may impose additional burdens on online businesses generally.

Likewise, the SEC, the U.S. Department of Justice, the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), the U.S. Department of State, as well as other foreign regulatory authorities continue to enforce economic and trade regulations and anti-corruption laws, across industries. U.S. trade sanctions relate to transactions with designated foreign countries and territories, including Cuba, Iran, North Korea, Syria and the Crimea region of Ukraine ("Crimea") as well as specially targeted individuals and entities that are identified on U.S. and other government blacklists, and those owned by them or those acting on their behalf. Anti-corruption laws, including the U.S. Foreign Corrupt Practices Act (the "FCPA") and the UK Bribery Act (the "Bribery Act"), generally prohibit direct or indirect corrupt payments to government officials and, under certain laws, private persons to obtain or retain business or an improper business advantage. Some of our international operations are conducted in parts of the world where it is common to engage in business practices that are prohibited by these laws.

Although we have policies and procedures in place designed to promote compliance with laws and regulations, which we review and update as we expand our operations in existing and new jurisdictions in order to proportionately address risks of non-compliance with applicable laws and regulations, our employees, partners, or agents could take actions in contravention of our policies and procedures, or violate applicable laws or regulations. As regulations continue to develop and regulatory oversight continues to focus on these areas, we cannot guarantee that our policies and procedures will ensure compliance at all times with all applicable laws or regulations. In the event our controls should fail or we are found to be not in compliance for other reasons, we could be subject to monetary damages, civil and criminal monetary penalties, withdrawal of business licenses or permits, litigation and damage to our reputation and the value of our brand.

As we expand our operations in existing and new jurisdictions internationally, we will need to increase the scope of our compliance programs to address the risks relating to the potential for violations of the FCPA and the Bribery Act and other anti-bribery and anti-corruption laws. Further, the promulgation of new laws, rules and regulations, or the new interpretation of existing laws, rules and regulations, in each case that restrict or otherwise unfavorably impact the ability or manner in which we or our retailers and brands conduct business could require us to change certain aspects of our business, operations and commercial relationships to ensure compliance, which could decrease demand for services, reduce revenue, increase costs or subject us to additional liabilities.

Overview

Farfetch is the leading technology platform for the global luxury fashion industry. We operate the only truly global luxury digital marketplace at scale, seamlessly connecting brands, retailers and consumers. We are redefining how fashion is bought and sold through technology, data and innovation. We were founded ten years ago, and through significant investments in technology, infrastructure, people and relationships, we have become a trusted partner to luxury brands and retailers alike.

The global market for personal luxury goods was estimated to be worth \$307 billion in 2018 and is expected to reach \$446 billion by 2025, according to Bain, and is largely characterized by family-controlled companies, brand integrity, longstanding relationships and fragmented supply. In addition, luxury sellers require a high-quality environment in which to sell their merchandise. As a result, these sellers have been cautious in their adoption of emerging commerce technologies.

The global luxury market is evolving, driven by an accelerating shift of consumers to online discovery and purchase, the increasing importance of Millennials and the growth of luxury consumption in China and other emerging markets. We connect a global consumer base to the highly fragmented global supply of luxury fashion, and we have established ourselves as the innovation partner to the luxury industry.

We are a technology company at our core and have created a purpose-built platform for the luxury fashion industry. Our platform consists of three main components:

- **Applications** . The Farfetch Marketplace is the primary application on our platform. In addition, we continue to build other offerings under our Farfetch Platform Solutions banner, including Farfetch Black & White Solutions and Farfetch Store of the Future.
- **Services** . We have invested in and developed an integrated service offering, including content creation and end-to-end logistics. This enables us to offer the high-quality environment required by the luxury ecosystem.
- **Data** . We use our rich data sets and proprietary algorithms to deliver an enhanced consumer experience and create better businesses for retailers and brands. Our data insights drive operational efficiencies that create value for all partners on our platform.

The Farfetch Marketplace is the first and largest application built on our platform and is currently the source of over 90% of our revenue. We operate the largest digital luxury marketplace in the world. As of December 31, 2018, the Farfetch Marketplace connected over 2.8 million Marketplace consumers in 190 countries to over 1,000 luxury sellers. For consumers, we provide curated access to the highly fragmented supply of luxury merchandise. For luxury sellers, which includes 640 retailers and 382 brands who sell directly on the Farfetch Marketplace, we facilitate connection to the deepest pool of luxury consumers across the world. Aggregating a large number of luxury sellers requires long and careful relationship building and acts as a significant barrier to entry. We have carefully nurtured these relationships for a decade. Our Marketplace model allows us to offer the broadest and deepest selection of luxury fashion available online globally, while incurring minimal inventory risk and without capital-intensive retail operations.

We are reinventing how consumers discover and engage with luxury fashion. We facilitate the discovery of new brands, provide tools to allow consumers to find the items they are looking for and inspire lovers of fashion around the world. We provide a unique, personalized experience based on our deep understanding of our consumers. Consumers choose our Marketplace because they trust we will deliver a consistent, high-quality experience from start to finish, while being able to access over 3,200 different brands as of December 31, 2018. The luxury merchandise on our Marketplace is curated in three phases: (1) our rigorous selection of luxury sellers; (2) the expert buying decisions of our retailers, including the individual perspective and combined buying expertise of over 630 boutiques and (3) our optimization of our product mix using data insights and knowledge of the luxury market. We believe that people who love fashion, love Farfetch.

We are redefining commerce for luxury sellers. With access to a global consumer base, combined with an integrated marketing approach, we drive demand for our luxury sellers. Luxury sellers gain deep data insights and

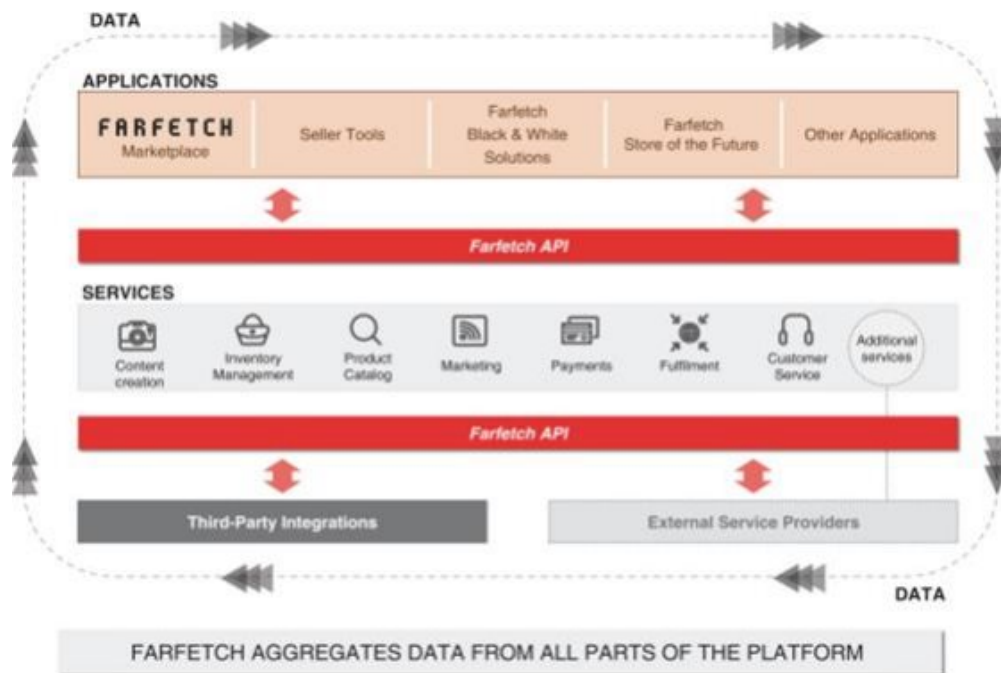
real - time feedback that are valuable in their decision making. They choose our platform because we help them grow their businesses with an enhanced online presence, powerful tools and superior economics, all while retaining control, which is critical to them. By providing a digital storefront, inventory management, a global logistics solution and other tools to help manage their businesses, we are embedding ourselves as both a commerce enabler and an innovation partner. Access to over 2.8 million Marketplace consumers, of which over 1.4 million were Active Consumers as of December 31, 2018, through the Farfetch Marketplace allows luxury sellers to instantly significantly increase their consumer reach, and our platform allows us to be their trusted innovation partner for the future.

We generate income from transactions conducted on our platform, which, together with In-Store Revenue, represents our GMV. We primarily operate a revenue-share model where we retain commissions and related income from these transactions. Our business has grown significantly, as evidenced by the following:

- As of December 31, 2018, we had 1,353,400 Active Consumers, up 44.6% since December 31, 2017. As of December 31, 2017, we had 935,772 Active Consumers, up 43.6% since December 31, 2016.
- Our GMV was \$1,407.7 million in 2018, up 54.7% over 2017, and was \$909.8 million in 2017, up 55.3% from 2016.
- Our revenue was \$602.4 million in 2018, up 56.1% over 2017, and was \$386.0 million in 2017, up 59.4% from 2016.
- Our Platform Services Revenue was \$489.0 million in 2018, up 65.0% over 2017, and was \$296.4 million in 2017, up 63.8% from 2016.

Our Platform

We operate a modular end-to-end technology platform purpose built to connect the luxury fashion ecosystem worldwide. Our vision was to create a single operating system that could address the complex demands of consumers and luxury sellers alike. Our platform is designed to deliver the future of luxury retail by addressing the unique challenges faced by each participant in the ecosystem and to offer a transformative luxury experience across both offline and online channels. Our platform is built on an API-enabled proprietary technology stack, which provides the foundation for the three main components: applications, services and data, as illustrated below.



Applications

Farfetch Marketplace. The Farfetch Marketplace is the first and largest application built on our platform and is currently the source of over 90% of our revenue. Our Marketplace connects the two sides of the luxury fashion market: consumers from 190 countries and luxury sellers from 53 countries.

Farfetch Black & White Solutions. Our modular, white-label e-commerce offering provides retailers and brands with platform services ranging from individual off-the-shelf elements to a full-service branded e-commerce solution. Farfetch Black & White Solutions powers the online shopping experiences of global brands such as JW Anderson, Christopher Kane, Proenza Schouler and Thom Browne.

Farfetch Store of the Future. We believe the future of luxury fashion retail will be defined by the reinvention of the consumer experience by connecting the online and offline retail worlds. We have developed, and continue to evolve, a suite of connected in-store technologies to provide a digitally enabled, personalized physical shopping experience.

Seller Tools. We have created powerful operational tools that help drive efficiencies for our luxury sellers. These include *STORM*, an integrated operating tool that enables end-to-end management of the online selling experience for our luxury sellers, and *FFLINK*, an integration platform built to provide a seamless connected retail solution for our luxury sellers.

Services

We have invested in and developed an integrated service approach that enables us to offer a consistent luxury environment for all of our platform partners. We achieve this through free and fast content creation to achieve a luxury product presentation, demand generation through our marketing services, secure multi-currency payment processing and smart supply chain management. We provide consumers with a localized luxury experience, including after-care in the form of multilingual customer service and free returns processing.

Data

Through our multiple interactions with our luxury sellers and consumers, we develop rich data sets and proprietary algorithms that drive operational efficiencies to create value for all participants on our platform. Our data science capabilities automate decision making through the application of machine learning to guide merchandizing, targeting, curation and feedback. As of December 31, 2018, we had 866 engineers and data scientists developing and enhancing the data interactions on our platform. These insights allow us to deliver an enhanced consumer experience and create operational efficiencies for our platform partners.

Our Strengths

We believe that the following strengths contribute to our success and are differentiating factors:

- **Visionary, founder-led management team .** We are led by our founder, José Neves, who has a unique combination of knowledge of and passion for the fashion industry and a deep understanding of technology. Our management team's clear sense of mission, long-term focus, commitment to our core cultural values and focus on transforming the luxury industry through technology are central to our success. Members of our team have created and grown leading luxury, fashion and technology businesses globally, and they retain a strong entrepreneurial spirit.
- **Scalable proprietary technology .** We have built a scalable proprietary technology platform, which enables us to grow the reach of our Marketplace efficiently, while supporting the creation and development of new applications. This benefits both the sophistication of the applications we develop, as well as the speed with which we are able to deploy them.
- **Unique data capabilities.** Our business model allows us to collate large volumes of unique data from touch points throughout the luxury fashion ecosystem. We believe this gives us unparalleled, multi-dimensional insight into the entire luxury ecosystem. Our team of data scientists and specialist engineers utilize the data to feed our proprietary algorithms to enhance our platform and benefit all platform participants.
- **Established partner relationships .** We are the partner of choice for the world's leading brands, boutiques and department stores. These relationships cannot easily be replicated and represent a high barrier to entry. As of December 31, 2018, we partnered with 640 of the world's leading luxury retailers and 382 brands. These relationships enable us to give our consumers access to unique and scarce inventory, in addition to the widest selection and variety. Our platform relationships extend beyond our Marketplace and include, for example, our multi-year global innovation partnership with CHANEL.
- **The world's largest selection of luxury.** We operate the only luxury digital marketplace at scale. We offer ten times more stock keeping units than the closest competitor to our Marketplace. We achieve this by aggregating supply from a large number of globally distributed sources, offering consumers both breadth and depth of luxury merchandise.
- **Fully integrated supply chain operations.** We offer comprehensive supply chain capabilities to our platform partners, from content creation to our global fulfilment network, which integrate delivery partners from around the world in a single, efficient interface. Luxury fashion inventory is located across a highly fragmented network of luxury sellers. Our fulfilment network is based on a distributed inventory model, aggregating inventory from multiple stock points of our luxury sellers in real time, giving us the capability to get shipments to consumers quickly and efficiently, due to the proximity of

the inventory to the consumer. We have invested significant resources in building and developing this network, and this has created a significant competitive advantage and economies of scale.

- **Our marketplace business model.** Our model allows us to offer the broadest and deepest selection of luxury fashion available online globally, while incurring minimal inventory risk and without capital-intensive retail operations. This allows for low capital expenditures, favorable working capital dynamics, minimal inventory holding and an ability to drive stronger future margins than traditional inventory-taking business models. For the year ended December 31, 2018, our Average Order Value was \$618.6, and we had a 32.0% Third-Party Take Rate.
- **Powerful network effects.** Interactions among our consumers and luxury sellers on our Marketplace generate strong network effects. More brands, boutiques and department stores on our Marketplace increases the choices available to consumers, and more consumers on our Marketplace increases the potential sales for our luxury sellers through a self-reinforcing, mutually beneficial network effect.
- **Culture of innovation.** Innovation is intrinsic to Farfetch. For a decade, we have redefined how the luxury industry engages with consumers and technology. We believe that technology will continue to enable a better luxury ecosystem, and we will continue to pioneer innovation, for example by executing our vision for Augmented Retail, including *Farfetch Store of the Future*. In addition, our open architecture allows other innovators to build on our platform. As a result of our investment and reputation, we expect that third parties will continue to seek out Farfetch as their innovation partner, providing us with further opportunity to extend our platform.

Our Growth Strategies

The key elements of our growth strategies include:

- **Improving consumer economics and growing our consumer base**

Increasing the lifetime value of existing consumers. We have cultivated our consumer base and have strong consumer loyalty. We are committed to ensuring that through our curated supply, as well as our comprehensive approach to data and analytics, we are able to offer our existing consumers more of the merchandise that they want. We will continue to refine our approach to data analytics, allowing us to further optimize and improve our marketing approach and consumer experience, so that existing consumers visit the Farfetch Marketplace more often, convert more efficiently and have higher Average Order Values.

Attracting new consumers. We are focused on growing our consumer base in all markets, with a particular emphasis on emerging markets including China, the Middle East, Latin America and Eastern Europe. Our expansion strategy includes offering consumers global access to luxury products that are tailored to local market trends and tastes, along with localized interfaces. For example, the rapidly growing luxury industry in China represents a major opportunity for us, and we have invested locally to support growth. As of December 31, 2018, we had 209 Farfetchers in Shanghai and Hong Kong, and our platform was able to deliver local language and payment systems. We are currently one of a small number of global technology platforms to have full access to the Chinese market, which is predicted to represent 46% of personal luxury goods sales in 2025, according to Bain. As another example, we have a strategic partnership with the Chalhoub Group in the Middle East to further our expansion in that region.

- **Increasing product supply and our luxury seller base**

Increasing supply from existing luxury sellers. We can further increase the depth of our supply from our existing luxury seller base. We believe sellers will sell more of their inventory on our platform if we continue to offer a compelling value proposition, such as data-led insights, access to relevant demand and technological innovation, and we aim to continue developing these offerings.

Adding brands, boutiques, department stores and other partners. We plan to further increase the number of luxury sellers in order to expand the assortment and availability of merchandise on our Marketplace. In addition to adding brands and boutiques, we plan to continue to add department stores and new types of retailers to participate on our Marketplace.

Expanding into new categories and offerings . We aim to enhance our product offering for consumers and create additional opportunities for sellers on our platform by expanding into other luxury categories and offerings, such as the expansion of our offering to include watches and fine jewelry in 2018 and our investment in the streetwear category via our acquisition of Stadium Goods in January 2019 . Streetwear has been one of the fastest growing categories on our Marketplace and Stadium Goods, a player in the \$70 billion premium sportswear market, is largely incremental to our business . Our ability to expand into adjacent categories within the personal luxury goods market will enable us to increase our penetration of a large and robust total addressable market.

- **Investing in new technologies and innovation** . We will continue to invest in people, product and infrastructure to drive technological innovation in the luxury industry. This includes continuing to enhance our Marketplace for all participants through the application of data science and machine-learning technologies to facilitate further personalization and inspiring moments for consumers. We will also continue to grow Farfetch Black & White Solutions and further develop and monetize *Farfetch Store of the Future* . We aim to continue to be the innovation partner of choice for the luxury industry, developing new ways for the fashion ecosystem to evolve. We will supplement the growth of our internal service offerings with external third-party providers that can build on our platform to offer complementary services to our consumers and luxury sellers.
- **Building the Farfetch brand** . While we have established a significant position in the fashion industry, we have an opportunity to increase market share by growing our brand awareness. We believe that with continued investment in brand marketing, data-led insights and effective consumer targeting, we can expand and strengthen our reach.

Our Products

We aspire to build technology products that meet the varied and evolving needs and wants of luxury consumers, retailers and brands.

The Farfetch Marketplace—Farfetch.com and our iOS and Android apps

We have a global consumer base that expects a seamless user experience. Consumers are able to engage with us across our website and mobile apps for both iOS and Android devices, including on our iOS app developed specifically for our consumers in China. Our Marketplace is supported by 21 localized sites in 14 local languages, offering features such as a user-friendly home page, browse function, product detail, wishlist and consumer account management.

We have a multi-disciplinary search team including data scientists and machine-learning engineers who work to better understand intent, leveraging these insights to identify the type of merchandise that is most meaningful to our consumers, and consequently strengthening our proprietary metadata. The browsing function is underpinned by a real-time stock management system, filling search results with higher volume stock to ensure availability. In addition, we are developing visual merchandising tools to train the algorithms used by our merchandising team, so our system becomes more intelligent and our processes become more scalable, trending toward an increasingly personalized experience.

Our consumers are driven by a desire to discover new products and trends. We have a “New In” section of our site, that provide consumers with access to products that just went live on our Marketplace. Our recommendation engine applies strategies ranging from look-alike algorithms on out of stock pages to collaborative filtering options to surface what similar consumers are viewing throughout our catalog.

The objective of our app is to enable our global consumers to shop effortlessly using their mobile devices, wherever, whenever. Our app, available in 14 languages on iOS and Android, enables consumers to search by designer, category or keyword, shop via daily new arrivals or discover products through highly personalized and dynamic recommendations. We regularly improve our app user experience, adding features such as: personalization; “Shop the Look;” new payment methods, including Apple Pay and WeChat Pay; touch ID and Facebook Connect for easy login; order tracking; geo-targeted shipping services; enhanced search with suggestions and personalized

search recommendations; in-app messaging capabilities and push notifications. In addition, the Farfetch Private Client app offers certain consumers bespoke functionality and exclusive access to fashion products and services. We believe that the increase in popularity of our app demonstrates the changing dynamics of consumers' shopping behavior. For the year ended December 31, 2018, our app accounted for 23% of total visits to our Marketplace.

Farfetch Platform Solutions

In February 2019, we announced that we were uniting our portfolio of business-to-business platform products and services, under the banner Farfetch Platform Solutions. Farfetch Platform Solutions will incorporate Black & White Solutions, Farfetch Store of the Future and CuriosityChina, to simplify our enterprise offering to the luxury industry.

Farfetch Platform Solutions' mission is to offer luxury brands and retailers a suite of products and services leveraging the Farfetch platform ecosystem to build their own branded digital businesses.

Farfetch Black & White Solutions

Farfetch Black & White Solutions is our package of white-label solutions for luxury fashion brands and retailers. We deliver a global, multi-channel e-commerce offering that enables retailers and brands to seamlessly transact online with their consumers, while also allowing them to focus on the creative aspects of their businesses. These solutions are built on our platform, providing the same capabilities and scale as our Marketplace, and benefitting from the improvements to and the innovation of our platform. We enable the specific business goals of our partners by creating a modular package of solutions from which they can choose from specific bundles of products and services or a full end-to-end e-commerce experience.

By building on our fully API-enabled platform, Farfetch Black & White Solutions allows for a flexible front-end suite of products, comprised of global websites and apps. Our back-end infrastructure allows retailers and brands to synchronize their websites with in-store and warehouse inventory, both from mono-brand stores and other suppliers in their distribution network, and facilitate in-store pick-up and consumer returns. Farfetch Black & White Solutions seamlessly facilitates payments and enables cross-border and international shipping to customers. Our modular approach provides retailers and brands the optionality of a more flexible solution depending on their e-commerce goals. A retailer or brand could select all of our front-end suite of products or a combination of our integrated solutions, all powered by our back-end infrastructure. In addition, we offer services, which include, among others, digital marketing, consulting, localization, production and warehousing. All of these are modular services that can complement the front-end suite of products or can stand alone. Monetization of individual products and services is negotiated and may include any combination of build fees, revenue share, agency fees or consultancy fees.

In February 2019, we announced a strategic partnership with Harrods to provide global e-commerce platform. The partnership will see Harrods use and benefit from all of the core components of Farfetch Black & White Solutions, including e-commerce management, operations support, international logistics support, and technical support.

Augmented Retail and Farfetch Store of the Future

We believe the future of luxury fashion retail will be defined by the reinvention of the consumer experience, through online and offline integrations. We call this vision Augmented Retail, taking the magic of the physical store experience and bringing it together with the advantages of the online and digital experience, underpinned by the use of data.

Our Augmented Retail vision begins with the consumer in mind. Consumers enjoy the experience of being in store, building a relationship with the sales associate and experiencing merchandise in the luxury store setting, yet technology has meant that consumers now expect ultra-personalized experiences, both in their real and digital lives, and expect those worlds to be seamlessly connected. Our Augmented Retail vision reflects the retail experience of the future by giving retailers visibility of their consumers' preferences, both in store and online, enabling them to

enhance the services they can offer. With this in mind, we have developed a range of services and technologies to progress innovation in the luxury industry.

In April 2017, we unveiled our Augmented Retail vision and launched Farfetch Store of the Future, a technology-powered retail operating system. This suite of technologies aims to improve retail productivity by capturing consumer data and enhancing interactions between consumers and sales associates, both in store and when the consumer interacts with the retailer or brand online. The open innovation approach to our operating system means that retailers and brands can also use third-party technologies on our platform. This allows for a uniquely tailored offering to each brand or retailer in keeping with their in-store and online strategy. Our Farfetch Store of the Future technology launched in Thom Browne's London and New York stores in February and March 2018, respectively, and in Browns East in May 2018. In February 2018, we announced a multi-year global innovation partnership with CHANEL, through which we will work together to develop a range of digital initiatives to deliver a superior consumer experience both online and offline.

Management Tools for Luxury Sellers

We provide tools and solutions that enable our luxury sellers to maximize their businesses on our Marketplace and provide real-time visibility of inventory. These tools include:

- **STORM.** STORM provides luxury sellers with a number of capabilities designed to drive their success on our Marketplace, including data management, inventory management, analytics and key performance indicators, order management and fulfilment, consumer profiles and omnichannel fulfilment.
- **FFLINK.** FFLINK is the API layer that allows our partners to integrate our platform with their own systems or other third-party e-commerce solutions, such as Magento, Shopify, Cegid, Teamwork Retail, Lightspeed and Retail Pro.

Our Technology

Technology is at the core of our strategy, powering our operational capabilities and the sustainable scalability of our platform. We believe that continuous investment in our technology has given us a competitive advantage and enabled fast innovation.

While building, maintaining and optimizing our platform, we apply the following key principles:

- **API-first design.** All the complexity of our business logic is accessible via a variety of APIs. When addressing a new functionality, we consider the questions and actions our platform should address and the most intuitive API design. Only after this assessment do we execute implementation details. This approach focuses our team on delivering the most sustainable solution with the best business outcome.
- **Multi-tenancy.** Our platform is built for multi-tenancy and multi-client use. This allows the same infrastructure and services architecture to support both our Marketplace and other applications, such as Farfetch Black & White Solutions and Farfetch Store of the Future. The architecture design provides security, data isolation and support for individual tenant configurations.
- **Modularity.** Our platform's internal services have a modular design, allowing us to evolve individual system boundaries independently or replace components via integration with external modules.
- **Flexibility.** The ability to integrate with other platforms is key to our design. Our platform has the flexibility to either be part of other systems or allow other systems to be part of ours.

Our platform architecture enables the following:

- **Cross-device experiences.** By making features available through our platform API rather than on a specific device, we enable the possibility of sharing experiences across multiple devices, allowing, for example, consumers to start browsing and adding items to their "Shopping Bag" on a laptop and complete checkout on a mobile device. Maintenance of features is also done on the platform level, which maximizes efficiency.

- Technology and team organization. The control of our systems design and architecture supports increased agility in our teams' growth and organization. We rationally scale our organization and technology, clustering teams around business areas with their specific domain languages and building small nimble teams within each area as new services are created, in order to break down the complexity. This model has enabled us to keep start-up like structures that can quickly adapt and react to new challenges.
- Innovation velocity. By having our business logic available via a centralized API-enabled platform, we can quickly make new platform innovations available to all applications and explore new scenarios at the consumer experience level, leveraging past learnings and experience embedded into our platform.
- Provider agnostic. We designed our platform to be independent of any specific infrastructure provider, allowing us to scale across multiple cloud providers or self-managed data centers. We can also run scenarios under containerization, which allows us to run applications within a contained environment or in one operating system but in isolation from one another, or non-containerization, where each application can run within its own or multiple containers and each application runs simultaneously on the same computer. Making such options available as part of our design allows us to manage infrastructure costs.
- Point of delivery. Our systems and infrastructure are designed to operate across multiple geo-distributed points of delivery. They are built using technologies that provide horizontal scalability, high-availability and data management.

Open Source Technologies

We use open source technologies and continuously assess existing and proven open source frameworks that can be used to accelerate our deliveries and focus on the added value to the business. We license technology, content and other intellectual property from technology providers and partners when a commercial license and support are available, which can provide added value and operating efficiencies to our business and integrate through our API enabled platform.

Open Innovation Framework

We have developed a robust framework around innovation as a way to prioritize our efforts and focus on potential opportunities that are consistent with our mission:

- Our innovation. Our teams innovate on a daily basis, and we provide an environment that inspires and encourages ideas from all Farfetchers to ensure the best are elevated and come to fruition.
- Corporate development. We routinely evaluate acquisitions and collaboration opportunities that will expand our business and further our strategic objectives and mission.
- Platform engagement. We enable external businesses to build on our platform in order to offer complementary products and services to our consumers and platform partners. These businesses engage with us via our API and make use of the modular services we offer to grow their own businesses.
- Dream Assembly. This is our accelerator program that provides commerce technology startups with access to our mentorship, networking and support. It is designed to accelerate the growth of these startups and enhance the luxury ecosystem.

Browns

Browns is an iconic British fashion and luxury goods retailer with a heritage of introducing new fashion labels and pioneering luxury fashion since the 1970s. As an example of its ability to identify new fashion talent, Browns purchased the entire design school graduation collection of then unknown designer John Galiano, championed other young designers such as Hussein Chalayan and Alexander McQueen from the outset of their careers and, more recently, was the first to stock Christopher Kane.

Browns operates two retail stores in London and also leverages our platform applications. Ownership of Browns enables us to understand the fashion ecosystem through the lens of a boutique. In addition to enhancing our credibility in fashion, Browns also serves the critical mission of pioneering innovations developed under our Augmented Retail strategy, including providing a luxury fashion boutique environment to test *Farfetch Store of the Future* technology.

Our Global End-to-End Operations

We provide consumers with a localized luxury experience. Our core operations areas are smart supply chain management and luxury customer care.

Smart Supply Chain Management

Content Creation . The first step in our supply chain operations is content creation. In-house content creation allows us to achieve a luxury product presentation with a consistent look and feel, with short lead times and low cost. Our content creation process includes styling, photographing, photo-editing and content management. Our studios are the heart of the process, where teams of professional stylists, models and photographers create product images. We also develop original content, including tailored merchandise descriptions, convenient size and fit information and detailed measurements information to provide the best consumer experience, maximize sales and minimize returns.

We operate four strategically located production centers in Guimarães (Portugal), Los Angeles, São Paulo and Hong Kong, processing over 578,000 products and producing approximately 3.1 million unique luxury images during 2018. As of the third quarter 2018, our largest production center can process over 5,000 items per day at peak times.

Fulfilment . We have invested significant resources in developing our fully integrated logistics network. We have developed smart supply chain algorithms that are built around deep information sharing and aligned through shared incentives, which make our supply chain scalable, capital efficient and highly agile.

Fulfilment is executed by our luxury sellers and includes picking and packing the merchandise in Farfetch-branded packaging and booking the pick-up for onward delivery to the consumer. We prioritize effective fulfilment to 190 countries, building a robust process enabled by technology and strong collaboration among our internal teams, our luxury sellers and our distribution delivery carriers.

Once an order is packed, the merchandise is distributed to our consumers. We have the global expertise to handle the complexity of a vast network of routes and we have extensive knowledge of how to manage and optimize the complexities and intricacies of each country combination, including duties and bureaucracies.

We offer a number of delivery options including: standard and premium delivery; click and collect, which allows consumers to receive their shipment at their choice of local boutique or pick-up point; same-day delivery from selected luxury sellers in 18 of our largest cities globally; and F90 store to door delivery in 90 minutes from a number of luxury sellers in Berlin, Dubai, Hong Kong, London, Los Angeles, Madrid, Miami, Milan, New York, Paris, São Paulo and Tokyo. We also offer a free returns service on all our orders from a place and at a time selected by our consumer.

Sales and Marketing

Our integrated marketing framework represents a core competency that we regard as essential to the success of our Marketplace model. We are focused on continuing to build brand recognition and a demand generation engine that connects our consumers with the world's best luxury sellers. Through driving high consumer demand, we create a better proposition for our luxury sellers.

Over the last three years, we have invested heavily in building a talented in-house marketing team, while also developing proprietary technologies that enable us to build data-driven and highly-personalized campaigns that can scale globally.

How We Drive Demand***Data-Driven Approach***

We collect and utilize a broad range of data from multiple touch points in the luxury fashion ecosystem. This allows us to identify audience segments that are highly engaged in the luxury fashion category, which enables us to focus both brand and performance marketing campaigns on those we believe have a high propensity to purchase. Marketing costs are allocated across our global digital media portfolio using advanced internal bidding algorithms, which are tuned to optimize return on investment.

We employ a scientific approach to marketing. We use our data insights to continuously optimize and improve our marketing and product experiences to be responsive to our consumers' needs and provide them with a great consumer experience. Our relentless focus on data-driven testing enables us to innovate and optimize at a fast pace.

We have an audience-focused, rather than channel-focused, approach to both brand and performance marketing, which we manage as one integrated program. We use our rich audience insights to identify prospective consumers who we believe have an interest in, and a propensity to buy, luxury fashion. We have built our own marketing technology platform to deploy integrated campaigns that span the entire communications funnel, from awareness to consideration to purchase and retention. We leverage the audience targeting capabilities provided by our online media partners and other non-online sources, and we carefully monitor campaign reach based on propensity to buy and overall engagement with the category. The efficiencies gained from effective audience targeting allow us to build high frequency campaigns that drive awareness of our brand proposition.

We use sophisticated media mix measurement and modelling techniques to evaluate marketing performance, and we match our investment in audience and media to the predicted lifetime value that we believe each segment will generate, optimizing on a market-by-market basis.

Global Scale

Our marketing team is comprised of a broad range of capabilities and disciplines and is responsible for the development of all global performance and brand marketing campaigns. From a demand generation perspective, we manage active marketing campaigns across 190 countries and utilize a hub and spoke operating model that enables us to scale and rapidly deploy new campaigns across all markets, while also localizing messaging and creative assets.

Our global approach enables us to make faster decisions as we can run more tests at scale and determine outcomes faster. In addition, our local teams in Brazil, China, Japan, Russia, the United Arab Emirates and the United States are responsible for working with local media channels and partners and localizing global creative concepts while also running local initiatives that bring our brand personality to life.

Consumer Acquisition

We principally acquire consumers through online channels, including paid and organic search, metasearch, affiliate partnerships, display advertising and social channels. We have channel experts who work with dedicated analysts, data scientists and engineers. We have invested significant resources to establish systems that optimize paid search, and our team is highly skilled at developing programs and algorithms to maximize our return on paid search.

Retention and Loyalty

We focus on building continuous dialogue with our consumers given their levels of engagement with luxury shopping. We do this by creating inspiring content and developing personalized and tailored product recommendations, which we distribute via email, push notifications, social media, display advertising and directly on our platform. We launched ACCESS, Farfetch's new loyalty program, for a limited global test group and for customers in the UK in the third and fourth quarter of 2018, respectively. ACCESS provides customers with

benefits and rewards based on their annual spend on our Marketplace . We plan to roll the program out in additional countries in the first half of 2019.

Farfetch Private Client

Farfetch Private Client caters to some of our most important and highest spending consumers. Our Private Client proposition is to make our Marketplace the only place these valuable consumers need to go for all of their luxury fashion needs.

We offer high-end services such as a dedicated personal shopper, priority customer service line and Fashion Concierge services. Fashion Concierge allows Farfetch Private Client consumers to access exclusive merchandise and to source products from non-Farfetch sellers via their stylists. We also provide Farfetch Private Client consumers exclusive benefits, such as pre-order options, access to special items, early access to coveted items and sales, a *Farfetch Private Client* app and free shipping on all items.

Security and Data Protection

We are committed to the security of our consumers' experience with Farfetch. We undertake administrative and technical measures to protect our systems and the consumer data those systems process and store. We have developed policies and procedures designed to manage data security risks. We employ technical security defenses, we monitor servers and systems, and we use technical measures such as data encryption. We also use third parties to assist in our security practices and prevent and detect fraud.

Competition

We operate in a competitive industry, and consumers have the option to purchase both online and offline. While we believe that we do not have any direct competition with our Marketplace, we have indirect competitors in two primary categories:

Technology enablement companies :

- Technology companies that may attract sellers by enabling commerce, such as Shopify or Square; and
- White-label service providers, which offer end-to-end solutions.

Luxury sellers :

- Online luxury retailers that buy and hold inventory and typically ship from a small number of centralized warehouses;
- Multichannel players, which are independent retailers that developed their online channel following the success of their physical retail operations;
- Niche multi-brand and streetwear sites;
- Luxury department stores; and
- Luxury brand stores.

Our Strategy in China and Relationship with JD.com

The rapidly growing luxury industry in China represents a major opportunity for us, and we have invested locally to support growth. As of December 31, 2018, we had 209 Farfetchers in Shanghai and Hong Kong, and our platform was able to deliver local language and payment systems. To further expand our presence in the luxury industry in China, in July 2018 we entered into an agreement for the acquisition of CuriosityChina, a domestic technology company with particular expertise in social customer relationship management and digital marketing for luxury fashion brands.

On June 21, 2017, we entered into a strategic partnership with JD.com. As part of this relationship, Farfetch leverages JD.com's local logistics network, consumer payment solutions, technology capabilities, and its marketing

resources, including its WeChat partnership. We believe that this relationship will give us valuable insight into the Chinese market, while reinforcing our position as a global market leader in this region.

In February 2019, we expanded our strategic partnership with JD.com in order to provide the ‘Premier Luxury Gateway to China’ for luxury brands. As part of this transaction, JD.com’s luxury e-commerce platform, Toplife, will merge into Farfetch China. In addition, Farfetch will gain a ‘Level 1’ entry point on the JD.com app, providing JD.com’s customers with access to Farfetch’s network of more than 1,000 luxury brand and boutique partners.

Our Intellectual Property

Our intellectual property, including copyrights and trademarks, is an important component of our business. We have registered trademarks in various international jurisdictions for “FARFETCH” and “BROWNS,” among other brands. Our intellectual property portfolio includes numerous domain names for websites that we use in our business. We have several published and unpublished patent applications in the United Kingdom, Europe and internationally, which, if issued, would cover aspects of our proprietary technology, and the software code underlying our proprietary technology is also likely protected by copyright.

We control access to, use and distribution of our intellectual property through license agreements, confidentiality procedures, non-disclosure agreements with third parties and our employment and contractor agreements. We rely on contractual provisions with suppliers and luxury sellers to protect our proprietary technology, brands and creative assets. We use a third-party enforcement tool to monitor online image copyright infringement across domains, social media and mobile applications for “BROWNS” and “FARFETCH.” We also use a trademark watch service for the “FARFETCH” and “BROWNS” marks, which notifies us of potentially conflicting trademark applications, and we have registered “FARFETCH” and “BROWNSFASHIONSTORE” with a global domain name watch service and various domain name protected lists to alert us to third party domain name registrations that could potentially be infringing or cybersquatting.

Government Regulation

We use consumer data to perform the services available on our platform and conduct marketing activities, which may involve sharing consumer information with a third party, such as advertisers. Our activities involving the use of consumer data are subject to consumer protection, data protection and unfair and deceptive practices laws in jurisdictions in which we operate. In addition, as we accept credit cards transactions, we must comply with the Payment Card Industry Data Security Standards. The United States and European Union as well as other countries in which we operate are increasingly regulating certain activities on the internet and e-commerce, including the use of information retrieved from or transmitted over the internet, are increasingly focused on ensuring user privacy and information security, which will potentially limit behavioral targeting and online advertising, and are imposing new or additional rules regarding the taxation of internet products and services, the quality of products and services as well as the liability for third-party activities. Moreover, the applicability to the internet of existing laws governing issues such as intellectual property ownership and infringement is uncertain and evolving.

In particular, we are subject to an evolving set of data privacy laws in the United States, European Union Brazil and other jurisdictions. As of May 25, 2018, the new EU data protection regime became applicable and provides for a number of changes to the previous regime, including more onerous requirements on companies that process personal data, including, for example, expanded disclosures to tell our consumers about how personal information is to be used, increased rights for consumers to access, control the use of and delete their data and object to marketing and profiling. Certain breaches of the new regime may impose fines up to the greater of €20 million or 4% of the global turnover on a group basis. In addition, specific EU legislation regulating privacy online, including the use of cookies and similar technologies and online targeted advertising, is also under reform. In the United States, in June 2018, California enacted the CCPA, which is presently going into effect on January 1, 2020. Unless amended or pre-empted by federal law, when effective, the new law will, among other things, require new disclosures to California consumers, afford consumers new abilities to opt out of certain disclosures of personal information and new rights of data access and deletions, and impose significant fines and penalties for violations of privacy or data security provisions.

Many governmental authorities in the markets in which we operate are also considering alternative legislative and regulatory proposals that would increase regulation on internet advertising. It is impossible to predict whether new taxes or regulations will be imposed on our business and whether or how we might be affected.

In many jurisdictions in which we operate, operational licenses are required. In certain jurisdictions, including China, these licenses must be reviewed annually.

C. Organizational structure

Please refer to note 20 to our audited consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 included elsewhere in this Annual Report for a listing of the company's significant subsidiaries, including name, country of incorporation, and proportion of ownership interest.

D. Property, Plant and Equipment

Our Facilities

As of December 31, 2018, we had offices in Braga, Dubai, Hong Kong, Lisbon, London, Los Angeles, Moscow, New Delhi, New York, Porto, São Paulo, Shanghai and Tokyo, and production centers in Guimarães, Los Angeles, São Paulo and Hong Kong. In addition, Browns leases retail properties in London.

Our London office is our corporate headquarters, housing our central support functions, and is leased for a term of 12 years expiring in December 2027. It covers an aggregate of approximately 36,000 square feet, divided over three floors. In addition, we recently leased approximately 30,000 square feet of office space in London, adjacent to our London headquarters, pursuant to a lease that expires in 2027.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion in conjunction with the section entitled “Selected Consolidated Financial and Operating Data,” our historical consolidated financial statements and the related notes included elsewhere in this Annual Report. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in Item 3. “Key Information—Selected Financial Data.” Actual results could differ materially from those contained in any forward-looking statements.

On May 15, 2018, Farfetch Limited was incorporated under the laws of the Cayman Islands to become the holding company of Farfetch.com Limited and its subsidiaries pursuant to the Reorganization Transactions. Farfetch Limited has engaged solely in operations and activities incidental to its formation, the Reorganization Transactions and the initial public offering of our Class A ordinary shares. Accordingly, financial information for Farfetch Limited and a discussion and analysis of its results of operations and financial condition for the period of its operations prior to the Reorganization Transactions would not be meaningful and are not presented. Following the Reorganization Transactions, the historical consolidated financial statements of Farfetch Limited will include the historical consolidated financial results of Farfetch Limited and its consolidated subsidiaries for all periods presented. When we refer to the “Consolidated Group” or “Group,” we are referring to Farfetch Limited and its consolidated subsidiaries.

Our Business Model

We generate income from transactions between sellers and consumers conducted on our platform. Transactions generate GMV, which we collect and remit to sellers after deducting our income, which is based on a revenue-share model. This represents the majority of our income.

Our revenue is the combination of three streams:

- **Platform Services Revenue**, which primarily includes commissions based on Third-Party Take Rate. To a lesser extent, we generate revenue from the sale of inventory on the platform that is directly purchased by our Browns boutiques and sold online where revenue is equal to the GMV of such sales.
- **Platform Fulfilment Revenue**, which comes from shipping and customs clearing services that we provide to our consumers in relation to fulfilling transactions on our platform, net of consumer promotional incentives, such as free shipping and promotional codes, against this revenue.
- **In-Store Revenue**, which is the revenue generated in Browns retail stores.

We focus on Platform Services Revenue, as we think this best represents the economic value being generated by the platform.

For the year ended December 31, 2018, our revenue was \$602.4 million, being:

- \$489.0 million of Platform Services Revenue;
- \$97.8 million of Platform Fulfilment Revenue; and
- \$15.6 million of In-Store Revenue.

Platform Gross Profit represents Platform Services Revenue and Platform Fulfilment Revenue less our cost of revenue, which is transaction processing fees, customs duties, shipping costs, packaging and other direct order related costs. Platform Gross Profit as a percentage of Platform Services Revenue reflects the value of platform transactions before demand generation expense.

For the year ended December 31, 2018, Platform GMV was \$1,392.1 million, including \$97.8 million of Platform Fulfilment Revenue.

Platform GMV is generated by the Farfetch Marketplace, which contributed over 90 % of Platform GMV for the year ended December 31, 2018. Platform GMV is also generated by Farfetch Black & White Solutions, our modular white-label e-commerce solution that provides brands and retailers with services ranging from a full-service branded e-commerce solution to individual off-the-shelf components.

Browns is an iconic British fashion and luxury goods boutique. Browns operates two retail stores in London and also leverages applications on our platform. Ownership of Browns enables us to understand the fashion ecosystem through the lens of a boutique. In addition to enhancing our credibility in fashion, Browns also serves the critical mission of pioneering innovations developed under our Augmented Retail strategy, including providing a luxury fashion boutique environment to test our *Farfetch Store of the Future* technology. For the year ended December 31, 2018, Browns generated \$15.6 million of In-Store Revenue.

Over time, we plan to monetize other aspects of our platform. The first example of our Augmented Retail strategy is *Farfetch Store of the Future*, a suite of technologies that aims to improve retail productivity by capturing consumer data and enhancing interactions between consumers and sales associates, both in store and when the consumer interacts with the retailer or brand offline. We believe the future of luxury fashion retail will be defined by the reinvention of the consumer experience through online and offline integrations, and we are investing in innovation to achieve this vision.

Factors Affecting our Financial Condition and Results of Operations

Our financial condition and results of operations have been, and will continue to be, affected by a number of important factors, including the following:

Growth and Quality of our Luxury Supply

Our business model allows us to offer consumers the broadest and deepest selection of luxury, with a high stock value while incurring minimal inventory risk, by combining supply from a large number of globally distributed luxury sellers. Our success depends on the participation of these luxury sellers on the *Farfetch Marketplace*, their highly curated range of products and our ability to effectively sell these goods.

We have a rigorous framework to assess retailers and brands. Boutique selection is based on their brand assortment, category focus, market reputation and strength of buying. Brand selection is based on demand and trends, so that we offer our consumers access to the best, most current and most desirable products.

As of December 31, 2018, we had 1,022 luxury sellers on the Farfetch Marketplace, of which 640 were retailers and 382 were brands who sell directly on our Marketplace.

The selection of merchandise for sale on the Farfetch Marketplace must meet the needs of constantly evolving consumer tastes and adapt to rapidly changing fashion trends. Therefore, our success is also dependent on the ability of our luxury sellers to anticipate, identify and translate changing fashion trends and consumer demands into timely and appropriately curated product offerings. We constantly provide our partners with fashion insight that comes from our analysis of browsing, sales and returns data trends across the Farfetch Marketplace, as well as the offline sales data points that come from our real-time integrations with our luxury sellers.

The breadth and depth of inventory available through the Farfetch Marketplace is reflected in our stock value. Brands and designers typically have two primary seasonal collections per year, spring/summer and fall/winter.

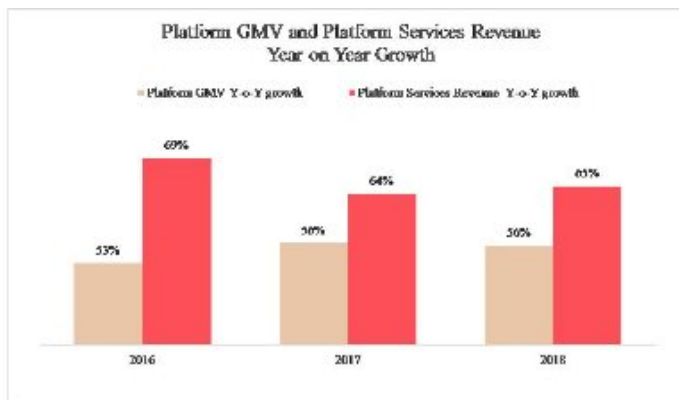
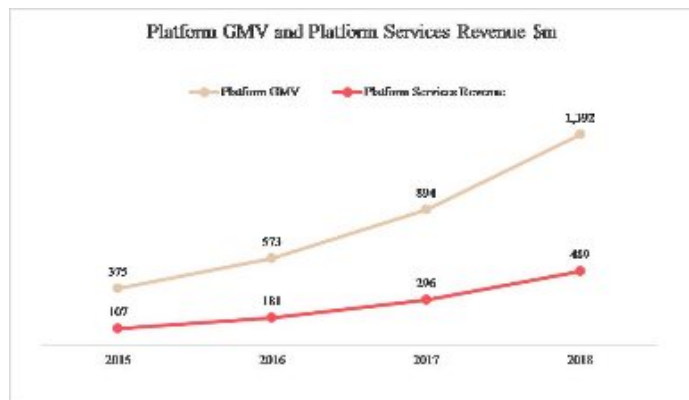
We expect to continue to grow the stock value and stock units on our Marketplace from existing luxury sellers, adding luxury sellers from new geographies, large multi-brand retailers and new brands.

Growth, Engagement and Retention of Our Active Consumers

Platform GMV and revenue grow as a result of acquiring and retaining Active Consumers, increasing the Number of Orders.

As of December 31, 2018, we had 1,353,400 Active Consumers, up from 935,772 as of December 31, 2017. The Number of Orders for the year ended December 31, 2018 was 2.9 million, up from 1.9 million for the year ended December 31, 2017.

We have been able to grow Platform GMV from both new and existing consumers since launching the Farfetch Marketplace in 2008. While we continue to acquire new consumers, the share of Platform GMV from existing consumers has also increased over time, indicating our ability to retain existing consumers.



We define new consumers as those who placed their first order on our Marketplace.

We expect growth in new consumers to be driven by further penetration of the luxury consumer market, including growing our business in emerging markets, such as China, the Middle East, Latin America and Eastern Europe.

Cost of Consumer Acquisition and Engagement

Our financial performance also depends on the expenses we incur to attract and retain consumers.

Demand generation expense consists primarily of fees that we pay our various media and affiliate partners. We will continue to invest in consumer acquisition and retention while the underlying consumer unit economics indicate the return on investment is strong. While we expect these expenses to increase as we continue to grow, we expect such expenses to decrease as a percentage of Adjusted Revenue over time as we continue to improve the efficiency of our demand generation activities and the percentage of our business related to existing consumers increases. In particular, we continue to gain efficiencies in our performance marketing spend by leveraging the large volume of product performance data that we have available to enhance our media bidding decisions across paid search, meta-search and online display. We also expanded our network of active media partners, which extended our audience reach and further diversified its overall media mix.

We also generate highly attractive consumer economics. While we are continuously focused on adding new Active Consumers to the Farfetch Marketplace, we are also focused on increasing their purchase frequency and Average Order Value after their initial purchase, while lowering retention expenditure. As a result, our existing consumers have typically generated a higher Platform Order Contribution Margin over time.

Fulfilment

To facilitate and grow our platform, we provide fulfilment services to Marketplace consumers and receive revenue from the provision of these services, which is by and large a pass-through cost with no economic benefit to us, and therefore we calculate our Adjusted Revenue excluding Platform Fulfilment Revenue. We offer our platform partners access to a fully integrated logistics network, which enables them to ship to consumers in 190 countries. This is an essential part of the consumer proposition and provides an unparalleled luxury experience. We have developed a comprehensive cross-border network for delivery, provided by leading third-party partners globally, which also provides Marketplace consumers with a free, simple and efficient returns process.

Scaling our Global Platform

We will continue to invest in our smart supply chain management and luxury customer care to provide our consumers with a differentiated global product offering but localized consumer experience. Our end-to-end operations include in-house content creation to achieve a luxury product presentation, localized interfaces, multilingual customer service, secure payment methods and seamless customs clearance and tariffs navigation. While we expect our operational expenses to increase as we continue to grow, we expect such expenses to decrease as a percentage of Adjusted Revenue over time as we continue to achieve economies of scale and deliver operating leverage.

Investments in Technology

We will continue to invest in people, product and infrastructure to maintain and grow our platform. Our technology expense in the twelve months ended December 31, 2018 was \$68.2 million, up 115.8% from \$31.6 million in the twelve months ended December 31, 2017. Our technology expense has increased as we continue to recruit additional personnel and to develop our technology expertise across the full spectrum of engineering, architecture, infrastructure, data engineering, integrations, security, agile and project management, and information systems and planning. As of December 31, 2018, we had 1,241 full-time data scientists, engineers and product employees, representing 38.4% of our total headcount. We have adjusted the pace of our increase in technology headcount, by using outsourcing to create a flexible and adaptable workforce to meet fluctuations in development needs. We expect to increase our total number of data scientists and engineers, to approximately 1,500 people by the end of 2019.

In 2019 we announced a strategic partnership with Harrods partnership. We plan to spend an additional \$10m on technology to accelerate the existing plans which we believe will allow us to continue to capture and expand the reach of our platform and generate future growth driving technological innovation in the luxury industry.

These investments will generate losses in the near term and could therefore delay our ability to achieve overall profitability or reduce our profitability in the near term.

Innovation and investment

We will continue to invest in sustainable growth as a priority over short term profitability where we see opportunities to advance our strategic objectives. These opportunities have and may include acquisitions, investments in our customers, and investments to deliver Farfetch Platform Solutions including technology and other resources.

Whilst these investments may result in lower profitability through impacting our blended commission rates and incremental costs which may lower our EBTIDA margins, they allow us to both widen and leverage our platform and expand our customer base and offering.

During 2018, we continued to innovate and invest in our existing consumers launching our loyalty program ACCESS which we believe will increase consumer engagement and ‘spend per consumer’. This is a key investment in our loyal consumers which we expect to impact our Contribution Margin, but we believe will deliver significant returns in the medium-term by differentiating Farfetch as the preferred destination for luxury fashion online.

In February 2019, we announced the acquisition of Toplife, JD.com’s luxury platform. As part of this agreement, Farfetch will gain ‘Level 1’ Access on the JD.com mobile app. Level 1 Access is a prominent entry-point button on the homescreen of the JD.com app. This will provide JD.com’s 300 million customers with instant access to more than 3,000 brands via Farfetch’s network of more than 1,000 luxury brand and boutique partners.

Previously, in 2018, Farfetch strengthened its China business through its agreement to acquire CuriosityChina, a leading integrated marketing and social commerce company. With the acquisitions of CuriosityChina and Toplife, Farfetch will now offer the full suite of Farfetch’s technology and logistics platform to brands wanting to reach luxury consumers in China.

Other Factors Affecting Our Performance

Results of our operations are impacted by a number of other factors, including seasonality and foreign exchange fluctuations:

Seasonality. Our business is seasonal in nature, broadly reflecting traditional retail seasonality patterns through the calendar year. As such, GMV and revenue have been historically higher in the fourth calendar quarter of each year than in other quarters. We believe seasonality may continue to impact our quarterly results.

Foreign currency fluctuations. The global nature of our platform business means that we earn revenue and incur expenses in a number of different currencies. Movements in exchange rates therefore impact our results and cash flows. Foreign exchange exposure is created by the currency received, determined by the consumer’s location, and the currency we pay to the retailer and brand as determined by their location. This results in transactional foreign currency exposure. Our general policy is to hedge this transactional exposure using forward foreign exchange contracts. We do not hedge translation risk.

Key Operating and Financial Metrics

The key operating and financial metrics we use are set forth below. The following table sets forth our key performance indicators for the years ended December 31, 2016, 2017 and 2018.

	Year ended December 31,		
	2016	2017	2018
(in thousands, unless stated otherwise)			
Consolidated Group:			
GMV(1)	\$ 585,842	\$ 909,826	\$ 1,407,698
Revenue	242,116	385,966	602,384
Adjusted Revenue(1)	193,605	311,784	504,590
Technology Expense(2)	12,269	31,611	68,224
Adjusted EBITDA(1)	(53,380)	(58,079)	(95,960)
Adjusted EBITDA Margin(1)	(27.6%)	(18.6%)	(19.0%)
Platform:			
Platform GMV(1)	\$ 573,174	\$ 894,392	\$ 1,392,104
Platform Revenue			
Platform Services Revenue(1)	180,937	296,350	488,995
Platform Fulfilment Revenue(1)	48,511	74,182	97,794
Platform Gross Profit(1)	111,762	196,581	291,706
Platform Order Contribution Margin(1)	35.0%	43.0%	39.8%
Third-Party Take Rate(3)	31.3%	32.9%	32.0%
Farfetch Marketplace:			
Active Consumers(3)	651.7	935.8	1,353.4
Number of Orders(3)	1,259.7	1,881.0	2,913.0
Average Order Value (actual)(3)	\$ 583.6	\$ 620.0	\$ 618.6

- (1) See Item 3. "Key Information — A. Selected Financial Data — Non-IFRS and Other Financial and Other Operating Metrics" for a definition, explanation and, as applicable, reconciliation these measures.
- (2) Technology Expense consists of technology research and of development, staffing costs and other IT costs, including software licensing. We have a policy of capitalizing development staffing costs when intangible asset recognition criteria are met, and therefore, these capitalized costs are not included in technology expense. These are subsequently amortized and included as depreciation and amortization. Other technology related costs are expensed as incurred.
- (3) See "Presentation of Financial and Other Information — Key Terms and Performance Indicators Used in this Annual Report" for a definition and explanation of these terms.

Components of our Results of Operations

Revenue. We generate revenue through commissions on sales through the *Farfetch Marketplace* and on services rendered to our consumers and sellers, including those offered via our Marketplace and *Farfetch Black & White Solutions*. We also generate revenue through the sale of goods via Browns retail stores.

Our primary source of service revenue is from the provision of platform services. We act as an arranger through connecting sellers to consumers. We are also responsible for providing fulfilment services, which includes the provision of shipping services to the consumers and packaging materials and credit card processing to sellers. When we act as a commercial intermediary between sellers and final consumers, revenue recognized represents commission earned for operation of the *Farfetch Marketplace*, including fulfilment services. The services rendered also include payment and other related services provided by us. Our commission generated on sales is based on the contractual agreement we have with each seller, where we earn a percentage based on the value of sales conducted through the *Farfetch Marketplace*. Our commission is a blended commission because it is attributable to a mix of the different types of services that we provide. We recognize commissions and non-shipping service revenue when the goods are dispatched to the consumer by the sellers. A provision for expected returns is made against this. As we provide shipping services to the consumer, shipping revenue is recognized on delivery to the consumer. Promotional incentives may be periodically offered to consumers. When we bear the costs of promotional incentives, these costs are recognized as deductions to revenue.

Revenue from the sale of goods is net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the performance obligation is satisfied, which is when the goods are received by the consumer. Included within sales of goods is a provision for expected returns, discounts and rebates.

Cost of Revenue. Cost of revenue includes shipping costs, duties, credit card fees and packaging. The components of cost of revenue are variable in nature and fluctuate with changes in revenue.

Selling, General and Administrative. Our selling, general and administrative expenses primarily consist of demand generation, technology expense, salaries, bonuses, benefits and share based compensation for our employees, and outside consulting, legal and accounting services, as well as facilities and other overhead costs. Our demand generation expense consists primarily of fees that we pay for our various marketing channels such as search engine marketing, search engine optimization, display, digital advertising and affiliate marketing to drive consumer acquisition and retention. We expect that our selling, general and administrative expenses will increase for the foreseeable future as we grow our business.

Depreciation and Amortization. Depreciation and amortization includes the depreciation of property, plant and equipment, capitalized leasehold improvements and amortization of technology and other intangible assets, alongside any loss on the disposal of property, plant and equipment and any asset impairments.

Segment Reporting

We have determined our operating segments on the same basis that we use to evaluate performance internally. Our operating segments are: (1) Farfetch Marketplace, (2) Farfetch Black and White, (3) Farfetch Store of the Future and (4) Browns stores. Farfetch Marketplace represents over 90% of revenue; therefore, we are presenting only one reportable operating segment being the consolidated view of all operating segments noted above.

A. Operating Results

The following tables shows our consolidated results of operations for the years ended December 31, 2016, 2017 and 2018 and as a percentage of revenue.

	Year ended December 31,		
	2016	2017	2018
	(in thousands)		
Revenue	\$ 242,116	\$ 385,966	\$ 602,384
Cost of revenue	(125,238)	(181,200)	(303,934)
Gross profit	116,878	204,766	298,450
Selling, general and administrative	(205,558)	(299,260)	(471,766)
Share of profits of associates	18	31	33
Operating loss	(88,662)	(94,463)	(173,283)
Net finance income/(costs)	7,402	(17,642)	19,866
Loss before tax	(81,260)	(112,105)	(153,417)
Income tax expense	(199)	(170)	(2,158)
Loss after tax	<u>\$ (81,459)</u>	<u>\$ (112,275)</u>	<u>\$ (155,575)</u>

	Year ended December 31,		
	2016	2017	2018
Revenue	100.0%	100.0%	100.0%
Cost of revenue	(51.7)	(46.9)	(50.5)
Gross profit	48.3	53.1	49.5
Selling, general and administrative	(84.9)	(77.4)	(78.3)
Share of profits of associates	0.0	0.0	0.0
Operating loss	(36.6)	(24.3)	(28.8)
Net finance income/(costs)	3.1	(4.6)	3.3
Loss before tax	(33.5)	(28.9)	(25.5)
Income tax expense	(0.1)	(0.1)	(0.4)
Loss after tax	(33.6%)	(29.0%)	(25.9%)

Comparison of Year Ended December 31, 2017 and 2018

Revenue

	Year ended December 31,		\$ Change	% Change
	2017	2018		
	(in thousands)			
Revenue	\$ 385,966	\$ 602,384	\$ 216,418	56.1%
Less: Platform Fulfilment Revenue	(74,182)	(97,794)	(23,612)	(31.8%)
Adjusted Revenue	\$ 311,784	\$ 504,590	\$ 192,806	61.8%

Revenue for the year ended December 31, 2018 increased by \$216.4 million, or 56.1%, compared to the year ended December 31, 2017. Adjusted Revenue for the year ended December 31, 2018 increased by \$192.8 million, or 61.8%, compared to the year ended December 31, 2017. This was a function of growth in GMV of 54.7% partially offset by a decrease in Third-Party Take Rate from 32.9% to 32.0% driven by changes in mix of supply between sellers with differing take-rates. Growth in GMV was primarily driven by the Number of Orders increasing by 54.9% to approximately 2.9 million. This was driven by growth in Active Consumers from 935,772 to 1,353,400 (an increase of 44.6%) over the same period, which reflects our marketing efforts to generate continued growth in demand from existing consumers across international markets together with an increase in new consumer orders. AOV decreased by only 0.2% and has therefore had a minimal impact. We also had an increase in supply as the number of luxury sellers grew significantly during 2018. In-Store Revenue also increased from \$15.4 million to \$15.6 million, an increase of 1.3%. Platform Fulfilment Revenue accounted for 16.2% of revenue in 2018, down from 19.2% in 2017.

Cost of revenue, gross profit and gross profit margin

	Year ended December 31,		\$ Change	% Change
	2017	2018		
	(in thousands)			
Cost of revenue	\$ (181,200)	\$ (303,934)	\$ (122,734)	(67.7%)
Gross profit	204,766	298,450	93,684	45.8%
Gross profit margin	53.1%	49.5%		

Cost of revenue for the year ended December 31, 2018 increased by \$122.7 million, or (67.7%), compared to the year ended December 31, 2017, which was primarily driven by the increases in cost of goods associated with first-party sales, as well as the increase in delivery, packaging and transaction processing expenditures as a result of the increased Number of Orders.

As of December 31, 2018, approximately 38% of our workforce consisted of technology and product specialists. The remainder was focused on all other business areas, including marketing, operations, production and other commercial and support functions. The table below sets out the number of employees, by category, as of December 31, 2018, 2017 and 2016:

Department	As of December 31, 2016	As of December 31, 2017	As of December 31, 2018
Technology and Product	494	802	1,241
Operations	487	759	1,017
Browns	-	133	177
Marketing	159	157	207
Commercial	93	114	146
People	50	100	125
Finance and Legal	62	95	130
Other	47	127	189
Total	1,392	2,287	3,232

We believe that we maintain a good working relationship with our people, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations. Our employees are not represented by any collective bargaining agreements or labor unions, other than our employees in Brazil who are represented by two state-level labor unions, as required by law.

E. Share Ownership

For information regarding the share ownership of directors and officers, see “Item 7. Major Shareholders and Related Party Transactions – A. Major Shareholders.” For information as to our equity incentive plans, see “Item 6. Director, Senior Management and Employees – B. Compensation – Long-Term Incentive Plans.”

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information relating to the beneficial ownership of our Class A ordinary shares and Class B ordinary shares as of January 31, 2019, for:

- (a) each person, or group of affiliated persons, known by us to beneficially own 5% or more of our outstanding Class A ordinary shares or Class B ordinary shares;
- (b) each of our executive officers and our Board; and
- (c) all of our executive officers and our Board as a group.

For further information regarding material transactions between us and principal shareholders, see “Related party transactions” below.

The number of Class A ordinary shares and/or Class B ordinary shares beneficially owned by each entity, person, executive officer or Board member is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has sole or shared voting power or investment power as well as any shares that the individual has the right to acquire within 60 days of January 31, 2019 through the exercise of any option, warrant or other right and the vesting of restricted linked ordinary shares. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all Class A ordinary shares or Class B ordinary shares held by that person.

Unless otherwise indicated below, the address for each beneficial owner listed is c/o Farfetch Limited, The Bower, 211 Old Street, London EC1V 9NR, United Kingdom.

Name of beneficial owner	Class A ordinary shares		Class B ordinary shares		Combined
	Number	Percent	Number	Percent	voting power (1)
Holders of 5% or Greater					
Kadi Group Holding Limited(2)	42,366,665	16.0%	-	-	3.8%
Index Ventures V (Jersey), L.P.(3)	28,359,930	10.7%	-	-	2.5%
Advent Private Equity Fund(4)	24,559,309	9.3%	-	-	2.2%
Farhold (Luxembourg)(5)	22,047,241	8.3%	-	-	2.0%
Advance Publications(6)	14,838,410	5.6%	-	-	1.3%
Executive Officers and Directors					
José Neves(7)	1,696,377	*	42,858,080	100%	76.6%
Elliot Jordan(8)	733,435	*	-	-	*
Andrew Robb(9)	1,812,910	*	-	-	*
Frederic Court(10)	-	*	-	-	*
Dana Evan	634,570	*	-	-	*
Jon Kamaluddin(11)	445,390	*	-	-	*
Dr. Jon Jainwen Liao, Ph.D.(12)	-	*	-	-	*
Natalie Massenet(13)	775,635	*	-	-	*
Jonathan Newhouse(14)	-	*	-	-	*
Danny Rimer(15)	-	*	-	-	*
Mike Risman(16)	-	*	-	-	*
David Rosenblatt	122,750	*	-	-	*
Executive officers and directors as a group (12 persons)(17)	6,221,067	2.4%	42,858,080	100%	77.0%

* Indicates beneficial ownership of less than 1% of the total outstanding Class A ordinary shares.

- (1) The percentage reported under "Combined Voting Power" represents the voting power with respect to all of our Class A and Class B ordinary shares outstanding as of January 31, 2019, voting as a single class. Holders of our Class A ordinary shares are entitled to one vote per share, and holders of our Class B ordinary shares are entitled to 20 votes per share.
- (2) Based on information reported on Schedule 13G and filed on November 27, 2018, Kadi Group Holding Limited holds 42,366,665 Class A ordinary shares. Kadi Group Holding Limited is a wholly owned subsidiary of JD.com, Inc., which exercises voting and investment power over the Class A ordinary shares held by Kadi Group Holding Limited and may be deemed to beneficially own these Class A ordinary shares. JD.com is controlled by its founder, Chairman and Chief Executive Officer, Richard Liu, who may be deemed to beneficially own the Class A ordinary shares held by Kadi Group Holding Limited. The business address of Kadi Group Holding Limited is Geneva Place, Waterfront Drive, P.O. Box 3469, Road Town, Tortola, British Virgin Islands.
- (3) Based on information reported on Schedule 13G and filed on February 12, 2019, Index Ventures V (Jersey), L.P. holds 27,780,375 Class A ordinary shares, Yucca (Jersey) SLP holds 354,500 Class A ordinary shares and Index Ventures V Parallel Entrepreneur Fund (Jersey) L.P. holds 225,055 Class A ordinary shares. Index Venture Associates V Limited ("IVA V") is the general partner of each of Index Ventures V (Jersey) L.P. and Index Ventures V Parallel Entrepreneur Fund (Jersey) L.P. (together, the "Index V Funds") and may be deemed to beneficially own the Class A shares held by the Index V Funds. Yucca (Jersey) SLP administers the investment vehicle that is contractually required to mirror the Index V Funds' investments, therefore, IVA V may be deemed to beneficially own the Class A ordinary shares held by Yucca (Jersey) SLP. The principal address of the Index V Funds and Yucca (Jersey) SLP is 44 Esplanade, St Helier, Jersey JE4 9WG, Channel Islands.
- (4) Based on information reported on Schedule 13G and filed on February 14, 2019, Advent Private Equity Fund IV holds 23,416,685 Class A ordinary shares, Advent Industry LP holds 908,514 Class A ordinary shares and Advent Management IV Limited Partnership holds 234,110 Class A ordinary shares (together, the "Advent Funds"). Advent Venture Partners, LLP is the management company for the Advent Funds and may be deemed to beneficially own the Class A ordinary shares held by such funds. Leslie Gabb, Frederic Court, Shahzad Malik, Rajesh Parekh, Peter Bains and Michael Chalfen, as the partners of Advent Venture Partners, LLP, may be deemed to share beneficial ownership of the Class A ordinary shares held by the Advent Funds. The address of Advent Venture Partners LLP is, 27 Beak Street, London W1F 9RU, United Kingdom.
- (5) Based on information reported on Schedule 13G filed on February 13, 2019, Farhold (Luxembourg) S.à r.l. holds 22,047,241 Class A ordinary shares. Farhold (Luxembourg) S.à r.l. is wholly owned by Vitruvian II Luxembourg S.à r.l., which is wholly owned by VIP II Nominees Limited in its capacity as nominee for various partnership funds (the "VIP II Funds"). Vitruvian Partners LLP is the general partner and investment manager of the VIP II Funds and is the sole shareholder of VIP II Nominees Limited and may be deemed to beneficially own the shares held by Farhold (Luxembourg) S.à r.l. The business address of Farhold (Luxembourg) S.à r.l. is 1, rue Hildegard von Bingen, L-1282, Luxembourg.
- (6) Based on information reported on Schedule 13G filed on February 13, 2019, Condé Nast International Ltd holds 13,545,660 Class A ordinary shares, Advance Magazine Publishers Inc. holds 647,090 Class A ordinary shares and CN Commerce Ltd. holds 645,660 Class A ordinary shares. Advance Publications, Inc. exercises voting and investment power over the Class A ordinary shares held by Condé Nast International Ltd, Advance Magazine Publishers Inc. and CN Commerce Ltd and may be deemed to have beneficial ownership of these Class A ordinary shares. Advance Publications, Inc. is controlled by members of the Newhouse family. The business address for Advance Publications, Inc. is 1 World Trade Center, New York, New York 10007.
- (7) Includes 42,858,080 Class B ordinary shares held by TGF Participations Limited, of which José Neves is the only named beneficiary. José Neves exercises voting and investment power over the Class B ordinary shares held by TGF Participations Limited and may be deemed to have beneficial ownership of all of these Class B ordinary shares. The business address of TGF Participations Limited is Grosvenor House, 66-67 Athol Street, Douglas, Isle of Man IM1 1JE.
- (8) Represents for Mr. Jordan 661,888 Class A ordinary shares underlying vested options and 71,547 restricted linked ordinary shares that are currently exercisable.

- (9) Includes for Mr. Robb 237,252 restricted linked ordinary shares that are currently exercisable.
- (10) Mr. Court holds no shares directly. Mr. Court is the founder and managing partner of Felix Capital, which manages funds that collectively own 580,180 Class A ordinary shares. Mr. Court is a General Partner at Advent Ventures, which manages funds that beneficially own Class A ordinary shares. See footnote 4 above.
- (11) Includes for Mr. Kamaluddin 117,572 Class A ordinary shares underlying vested options and 327,818 restricted linked ordinary shares that are currently exercisable.
- (12) Dr. Liao is an employee of JD.com but disclaims beneficial ownership of the shares beneficially owned by JD.com.
- (13) Represents for Ms. Massenet (a) 150,000 Class A ordinary shares held directly, (b) 476,625 Class A ordinary shares underlying vested options and (c) 149,010 shares held by Imaginary Venture Capital Partners I, LP, over which Ms. Massenet has shared voting power.
- (14) Mr. Newhouse holds no shares directly. Mr. Newhouse is Chairman of Condé Nast International. See footnote 6 above.
- (15) Mr. Rimer holds no shares directly. Mr. Rimer is a partner within the Index Ventures group. Advisors within the Index Ventures group provide advice to the Index Funds. Mr. Rimer is involved in making recommendations to the Index Funds but does not hold voting or dispositive power over the Class A ordinary shares held by the Index Funds. See footnote 3 above.
- (16) Mr. Risman holds no shares directly. Mr. Risman is the Managing Partner and founding member of Vitruvian Partners LLP, which manages funds that own Class A ordinary shares. See footnote 5 above.
- (17) Includes 6,072,057 Class A ordinary shares underlying vested options and options that will vest within 60 days of January 31, 2019.

B. Related Party Transactions

The following is a description of our related party transactions since January 1, 2016.

Registration Rights Agreement

On July 21, 2017, we entered into a Registration Rights Agreement with Kadi Group, Condé Nast International Ltd, Advance Magazine Publishers Inc., CN Commerce Ltd, Index Ventures V (Jersey), L.P., Index Ventures V Parallel Entrepreneur Fund (Jersey), L.P., Yucca (Jersey) SLP, Farhold (Luxembourg) S.A.R.L., DST Global IV, L.P., Sebatik Investments Limited, TGF Participations Limited, Republic Technologies Pte td, Advent Private Equity Fund IV, Advent Industry L.P., Advent Management IV Limited Partnership, Newsight Investment Holdings I Ltd, Newsight Investment Holdings II Ltd and Legendre Holding 51 SAS, pursuant to which such investors have certain demand registration rights, short-form registration rights and piggyback registration rights in respect of any Class A ordinary shares and related indemnification rights from us, subject to customary restrictions and exceptions. All fees, costs and expenses of registrations, other than underwriting discounts and commissions, are expected to be borne by us.

Relationship with Kadi Group Holding Limited and JD.com

On June 21, 2017, Kadi Group completed a purchase of 6,834,172 Series G Preferred Shares of Farfetch.com for approximately \$330.8 million and 1,366,834 shares of various classes from our shareholders that were re-designated into Series G Preferred Shares for approximately \$66.2 million.

Kadi Group is a wholly owned subsidiary of JD.com. Mr. Liu, the Chairman and Chief Executive Officer and controlling shareholder of JD.com, previously served as one of our non-executive directors, and Dr. Liao is JD.com's Chief Strategy Officer.

Forward Purchase Agreement

In connection with Kadi Group's purchase of shares in Farfetch.com, Kadi Group and Farfetch.com entered into a forward purchase agreement, as amended, pursuant to which we agreed to issue and Kadi Group agreed to subscribe for one-third of such number of shares upon our initial public offering (at a price per share equal to the initial price per share in this offering) that would result in Kadi Group maintaining its percentage holding of our issued and outstanding share capital on a fully diluted basis immediately following this offering. Kadi Group may assign this right to purchase to any of its affiliates.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

e) Revenue recognition

Revenue is recognized in accordance with the five-step model under IFRS 15, which was early adopted by the Group on January 1, 2017 on a fully retrospective basis:

1. identifying the contracts with customers;
2. identifying the separate performance obligations;
3. determining the transaction price;
4. allocating the transaction price to the separate performance obligations; and
5. recognizing revenue when each performance obligation is satisfied.

Retailing of goods

Revenue, where the Group acts as a principal, is recognized when the performance obligation is satisfied which is when the goods are received by the customer. Included within sales of goods is a provision for expected returns, discounts and rebates. Where these are not known, the Group uses historical data and patterns to calculate an estimate.

Rendering of services

The Group primarily acts as a commercial intermediary between sellers, being the brands and boutiques, and end consumers and earns a commission for this service.

For these arrangements, the sellers determine the transaction price of the goods sold on the website, being the purchase price paid by the consumer, with the Group acting as an agent for the sellers and the related revenue is recognized on a net basis. The Group also charges fees to sellers for activities related to providing this service, such as packaging, credit card processing, settlement of duties, and other transaction processing activities. These activities are not considered separate promises to the customer, and the related fees are therefore recognized concurrently with commissions at the time the performance obligation to facilitate the transaction between the seller

and end consumer is satisfied, which is when the goods are dispatched to the end consumer by the seller. A provision is made for commissions that would be refunded if the end consumer returns the goods, and the Group uses historical data and patterns to estimate its return provision. There are no significant payment terms with the Group taking payment in full from the consumer's chosen payment method at the time the goods are dispatched by the seller.

The Group also provides delivery services to end consumers, with the Group setting the transaction price, for goods purchased on its platform. For these services, the Group acts as the principal and recognizes as revenue amounts charged to end consumers net of any promotional incentives and discounts. Revenue for these services is recognized on delivery of goods to the end consumer, which represents the point in time at which the Group's performance obligation is satisfied. No provision for returns is made as delivery revenue is not subject to refund. Promotional incentives, which include basket promo-code discounts, may periodically be offered to end consumers. These are treated as a deduction to revenue. Cash is collected by the Group from the end consumer using payment service providers. Within two months of the transactions, this is remitted to the relevant seller (net of commission and recoveries). Such amounts are presented within trade and other payables, unless the relevant seller is in a net receivable position and is therefore classified within trade and other receivables.

f) Current and deferred tax

Current tax is the expected tax payable based on the taxable profit for the period, and the tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Current and deferred tax is charged or credited in the statement of operations, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also recognized directly in equity.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates and in accordance with laws that are expected to apply in the period/jurisdiction when/where the liability is settled or the asset is realized.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities and where there is an intention to settle the balances on a net basis.

g) Foreign currencies

The Group's consolidated financial statements are presented in United States Dollars. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the Company is United States Dollars.

h) Foreign currency translation

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities

denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

On consolidation, the assets and liabilities of foreign operations are translated into United States Dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates. The exchange differences arising on translation for consolidation are recognized in OCI.

i) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. All repair and maintenance costs are recognized in profit or loss as incurred.

Items of property, plant and equipment are depreciated with an expense recognized in depreciation and amortization expense on a straight-line basis over their useful life.

The useful lives of these items are assessed as follows:

Leasehold improvements	Over the life of the lease
Fixtures and fittings	Three to ten years
Motor vehicles	Four to eight years
Computer equipment	Three to ten years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of operations in the expense category that is consistent with the function of the intangible assets. Other than goodwill, there are no intangible assets with indefinite useful lives.

Style.com

On June 12, 2017, Farfetch UK Limited, a wholly owned subsidiary of the Parent, acquired 100% of the business of Style.com, a luxury e-commerce retailer, from Conde Nast. The primary reason for the acquisition was for the Group to leverage customer relationships, the Style.com domain name authority and content to enhance the Group's marketplace business. Details of the purchase consideration, the assets acquired and goodwill are as follows:

	2017
Purchase consideration	
Ordinary shares issued	12,411
Total purchase consideration	12,411

The fair value of the 258,265 shares issued as 100% of the consideration paid for Style.com Limited (\$12,411,000) was estimated based upon the Company's most recent funding round as of the date of the acquisition. The ordinary shares issued are non-cash investing activities.

The Group recognized the following assets and liabilities upon acquisition:

	2017
Inventories	1,856
Total net identified assets acquired	1,856
Goodwill	7,050
Customer relationships	1,178
Trademarks and domain name	3,046
Deferred tax liability	(719)
Total goodwill and identifiable intangible assets acquired	10,555
Net assets acquired	12,411

The trademarks and domain name are amortized over ten years and the customer relationships are amortized over three years.

The goodwill is attributable to the Style.com reputation and the expected synergies and efficiencies generated by the business combination. It will not be deductible for tax purposes.

There was no cashflow impact with purchase consideration being the issue of shares and there being no cash acquired.

Acquisition related costs

Acquisition-related costs of \$557,000 are included in selling, general and administrative expenses.

The results of operations for each of the acquisitions have been included in the Group's consolidated statements of operations since the respective dates of acquisitions. Actual and pro forma revenue and results of operations for the acquisitions have not been presented because they do not have a material impact to the consolidated revenue and results of operations, either individually or in aggregate.

Acquisitions in 2018

There were no business combinations in 2018.

6. Segmental and geographical information

The Group has identified four operating segments. This assessment is based on information reported to the Group's Chief Executive for the purpose of assessing segmental performance and resource allocation.

These are the Marketplace (which operates the Farfetch.com marketplace website and app), Farfetch Black & White Solutions (a white label website solution for luxury brands), Stores (operation of the Browns luxury boutiques) and Store of the Future (provision of technology solutions to retail outlets). The Marketplace represents over 90% of the Group's revenue, results and assets. As such the Group has presented only one reportable segment.

Geographical information

The Group operates a platform that connects retailers and brands, which provide supply, with consumers, who provide demand. Therefore, the Group believes it is relevant to disclose geographical revenue information on both a supply basis, determined by location of the Farfetch contracting entity, and on a demand basis, determined by location of consumer.

The Group's UK revenue, based on location of the Farfetch contracting entity, was \$492,495,000 (2017: \$335,345,000, 2016: \$208,857,000).

The Group's revenue from external customers, based on consumer ship-to location, and information about its segment assets by geographical location are detailed below:

	2016	2017	2018
Revenue from external customers			
Americas	77,608	111,349	175,060
Europe, Middle East and Africa	92,885	156,507	240,662
Asia Pacific	71,623	118,110	186,662
	<u>242,116</u>	<u>385,966</u>	<u>602,384</u>
		2017	2018
Non-current assets			
Americas		4,046	6,089
United Kingdom		53,594	118,374
Europe, Middle East and Africa		45,596	21,500
Asia Pacific		7,030	6,020
		<u>110,266</u>	<u>151,983</u>

For the year ended December 31, 2018, the Group revised its methodology for determining the geographical location of revenue from being based on customer shipping location to customer billing location. In addition, the Group previously disclosed first-party sales based on the location of the seller. The Group has revised this to being based on the customer billing location which is consistent with third-party based sales. Revenue by geographical location for the year ended December 31, 2016 and 2017 has been revised to reflect this change in methodology.

No single customer amounted for more than 10% of Group revenues (2017: none, 2016: none).

Notes to the consolidated financial statements (continued)

7. Employees and directors

	2016	2017	2018
Wages and salaries	60,455	88,164	140,298
Social security costs	9,626	12,783	24,976
Other pension costs	360	898	1,391
Share based payments (equity settled)	17,256	16,667	34,668
Share based payments (cash settled)	1,178	3,807	10,355
Share based payments (employment related taxes)	1,414	1,012	8,796
	<u>90,289</u>	<u>123,331</u>	<u>220,484</u>

8. Selling, general and administrative expenses

Included within selling, general and administrative expenses are:

	2016	2017	2018
Demand generation expenses	48,381	69,202	97,295
Technology	12,269	31,611	68,224
Depreciation and amortization	6,897	10,980	23,537
Share based payments	19,848	21,486	53,819

9. Finance income and costs

	2016	2017	2018
Unrealised exchange gains	7,643	-	9,143
Deposit account interest	1,359	2,510	6,859
Other interest income	278	323	4,401
Finance income	<u>9,280</u>	<u>2,833</u>	<u>20,403</u>
Unrealised exchange losses	-	(18,902)	-
Interest on borrowings	(1,473)	(1,572)	-
Other interest expense	(29)	(1)	(537)
Warrants issued	(376)	-	-
Finance costs	<u>(1,878)</u>	<u>(20,475)</u>	<u>(537)</u>
Net finance income/ (costs)	<u>7,402</u>	<u>(17,642)</u>	<u>19,866</u>

10. Loss before tax

Loss before tax items include:

	Note	2016	2017	2018
Employee benefits	7	90,289	123,331	220,484
Operating leases		12,322	18,162	19,244
Research and development costs expensed		4,972	5,102	12,455
Loss on disposal of non-current assets		261	42	1,028
Depreciation—Property, plant & equipment (note 16)		2,451	3,648	7,338
Amortization—Intangible assets (note 15)		4,446	7,332	16,199
Auditors' remuneration		411	1,095	2,152

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jos é Neves, Chief Executive Officer , certify that:

1. I have reviewed this annual report on Form 20-F of Farfetch Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 25, 2019

By: _____ /s/ José Neves

Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Elliot Jordan, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 20-F of Farfetch Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 25, 2019

By: _____ /s/ Elliot Jordan

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Farfetch Limited for the year ended December 31, 2018 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Jos é Neves , Chief Executive Officer, certify that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2019

By: _____ /s/ José Neves

Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Farfetch Limited for the year ended December 31, 2018 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Elliot Jordan, Chief Financial Officer, certify that to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2019

By: _____ /s/ Elliot Jordan

Chief Financial Officer